

DRAFT BUDGET AND SUPPORTING DOCUMENTATION OF MUNICIPALITIES

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PART 1 – DRAFT BUDGET

1.1 MAYOR’S SPEECH

Madam Speaker

Members of EXCO

Chief Whip of the ruling party (ANC)

Fellow councillors

MM and Directors

Ladies and gentlemen

Warm greetings!

Madam Speaker, we present before this house an draft budget amid speculations that municipalities in Mopani are not spending as expected. It must be noted that they based their assumptions on the media reports which concentrated at only the first quarter of our financial year. We are confident that before the end of the municipal financial year, almost all allocated funds would have been utilised. I request council to intensify its oversight role to ensure that projects are implemented in time. We can’t afford to have funds returned to the Treasury when our people are in dire need of services.

As council, we need to be cautious about the findings of the Auditor General which led to our municipality receiving a qualified audit opinion for the 2011/2012 financial year. After obtaining an unqualified audit opinion in two consecutive financial years prior 2011/2012, we were hoping for an upward mobility. Let us all join hands to words towards a clean audit opinion

MFMA section 21 (1) state that, the mayor of the municipality must

- (a) co-ordinate the processes for preparing the annual budget and for reviewing the Municipality’s integrated development plan and budget-related policies to ensure that the tabled budget and any revisions of the integrated development plan and budget-related policies are mutually consistent and credible
- (2) When preparing the annual budget, the mayor of a municipality must—
 - (a) take into account the municipality’s integrated development plan;
 - (b) take all reasonable steps to ensure that the municipality revises the integrated development plan in terms of section 34 of the Municipal Systems Act, taking into account realistic revenue and expenditure projections for future years;
 - (c) take into account the national budget, the relevant provincial budget, the national

government's fiscal and macro-economic policy, the annual Division of Revenue

Act and any agreements reached in the Budget Forum;

Discussion

Municipal revenue and cash flows are expected to remain under pressure in the 2013/2014 and as such a conservative approach was adopted when projecting the municipality's expected budget and cash receipts.

The Municipality took into account the headline inflation forecast outlined by MFMA circular 67. The circular advises Municipality to consider the following inflation forecasts:

| Fiscal year Actual | 2012 | 2013 Estimate | 2014 | 2015 Forecast | 2016 |
|-------------------------------|-------------|--------------------------|-------------|--------------------------|-------------|
| Headline CPI Inflation | 5.6% | 5.6% | 5.6% | 5.4% | 5.4% |

MUNICIPAL REVENUE SOURCES ARE AS FOLLOWS

| DESCRIPTION | Budget Year 2013/14 | Budget Year +1 2014/15 | Budget Year +2 2015/16 |
|---------------------------------|--------------------------------|-----------------------------------|-----------------------------------|
| Income from rates | 12,612,000.00 | 13,229,998.00 | 13,878,257.41 |
| Income from services | 2,320,608.00 | 2,434,317.79 | 2,553,599.36 |
| Income from other sources | 12,505,762.37 | 10,942,321.34 | 11,479,089.53 |
| Income from Grants | 95,899,000.00 | 99,956,000.00 | 122,360,000.00 |
| Income from accumulated surplus | 7,680,000.00 | 5,359,900.00 | |
| TOTAL | 131,017,737.03 | 131,922,537.13 | 150,270,946.36 |

Expenditure by types are outlined below:

| Description | Budget Year 2013/14 | Budget Year +1 2014/15 | Budget Year +2 2015/16 |
|--|--------------------------------|-----------------------------------|-----------------------------------|
| Employee related cost | 39,333,868.52 | 45,453,018.92 | 48,362,012.13 |
| Councilors remuneration | 7,586,585.81 | 8,559,590.81 | 9,107,404.62 |
| Repairs and maintenance | 2,017,485.00 | 2,119,871.17 | 2,223,745.48 |
| General expenses | 41,559,682.28 | 44,308,376.22 | 46,519,536.00 |
| TOTAL OPERATING EXPENDITURE | 90,497,621.61 | 100,440,857.1 | 106,212,698.2 |

FUNDING OF PROJECTS

| Description | Budget Year 2013/14 | Budget Year +1 2014/15 | Budget Year +2 2015/16 |
|---|--------------------------------|-----------------------------------|-----------------------------------|
| Capital expenditure Own Funding | 8,815,490.00 | 5,160,785.24 | 7,504,853.57 |
| Capital Expenditure MIG Funding | 27,927,000.00 | 24,552,000.00 | 25,754,000.00 |
| Capital expenditure Disaster Funding | 3,000,000.00 | | |
| TOTAL CAPITAL EXPENDITURE | 39,742,490.00 | 29,712,785.24 | 33,258,853.57 |

| CAPITAL PROJECT - MIG FUNDED | 2013/2014 | 2014/2015 | 2015/2016 |
|-------------------------------------|----------------------|----------------------|----------------------|
| LORRAINE STORMWATER MANAGEMENT | 266 280.54 | 0.00 | 0.00 |
| TURKEY 03 04 RING ROAD | 5 200 000.00 | 437 000.00 | 0.00 |
| TURKEY 02 ACCESS ROAD | 250 000.00 | 0.00 | 3 143 181.27 |
| WILLOWS SPORTS FIELD | 3 397 000.00 | 1 500 000.00 | 500 000.00 |
| MARULENG INDOOR SPORT CENTRE | 6 063 719.46 | 3 144 543.81 | 4 811 818.73 |
| HLOHLOKWE ACCESS ROAD PHASE 2 | 6 000 000.00 | 3 400 000.00 | 600 000.00 |
| LORRAINE BELLVILE ROAD | 0.00 | 0.00 | 5 000 000.00 |
| METZ INTERNAL STREETS | 6 000 000.00 | 3 400 000.00 | 600 000.00 |
| BOCHABELO COMMUNITY HALL | 250 000.00 | 2 956 818.73 | 0.00 |
| BUTSWANA COMMUNITY HALL | 250 000.00 | 2 956 818.73 | 0.00 |
| MOSHATE COMMUNITY HALL | 0.00 | 3 800 000.00 | 0.00 |
| THE OAKS INTERNAL STREET | 0.00 | 0.00 | 5 097 000.00 |
| SOFAYA MAIN ROAD | 0.00 | 0.00 | 400 000.00 |
| SEDAWA ACCESS ROAD | | 0.00 | 4 000 000.00 |
| KAMPERSRUS INTERNAL STREET | | 0.00 | 1 602 000.00 |
| TURKEY 3 COMMUNITY HALL | 250 000.00 | 2 956 818.73 | 0.00 |
| CAPITA PROJECT - MIG | 27 927 000.00 | 24 552 000.00 | 25 754 000.00 |

The attached draft budget for the 2013/2014 financial year is submitted to council for noting to allow the following process to unfold

- public participation , where views from local community and other relevant stakeholders will be considered upon which council must give the mayor the opportunity to respond to the submissions and where necessary revise the budget and table amendments for consideration by council

Thank you

1.2 COUNCIL RESOLUTIONS

On the of 28th March 2012 Council of Maruleng Local Municipality met in the Council Chambers to consider the draft budget of the municipality for the financial year 2013/14. The Council discussed the budget and the following resolutions were adopted:

1. The Council of Maruleng Local Municipality, acting in terms of section 24 of the Municipal Finance Management Act, (Act 56 of 2003) approves and adopts:
 - 1.1. The annual budget of the municipality for the financial year 2013/14 and the multi-year and single-year capital appropriations as set out in the following tables:
 - 1.1.1. Budgeted Financial Performance (revenue and expenditure by standard classification) as contained in Table 11 on page 24;
 - 1.1.2. Budgeted Financial Performance (revenue and expenditure by municipal vote) as contained in Table 12 on page 24;
 - 1.1.3. Budgeted Financial Performance (revenue by source and expenditure by type as contained in Table 13 on page 24; and
 - 1.1.4. Multi-year and single-year capital appropriations by municipal vote and standard classification and associated funding by source as contained in Table 14 on page 25.

Maruleng Local Municipality 2013/14 draft budget and MTREF

- 1.2. The financial position, cash flow budget, cash-backed reserve/accumulated surplus, assets management and basic service delivery targets are approved as set out in the following tables:
 - 1.2.1. Budgeted Financial Position as contained in Table 15 on page 25;
 - 1.2.2. Budgeted Cash Flows as contained in Table 16 on page 26;
 - 1.2.3. Cash backed reserves and accumulated surplus reconciliation as contained in Table 17 on page 27;
 - 1.2.4. Asset management as contained in Table 18 on page 27; and
 - 1.2.5. Basic service delivery measurement as contained in Table 19 on page 28.
2. The Council of Maruleng Local Municipality, acting in terms of section 75A of the Local Government: Municipal Systems Act (Act 32 of 2000) noted and adopts with effect from 1 July 2013:
 - 2.1. The tariffs for property rates – as set out in Annexure A,
 - 2.2. The tariffs for the supply of water – as set out in Annexure B
 - 2.3. The tariffs for sanitation services – as set out in Annexure B
 - 2.4. The tariffs for solid waste services – as set out in Annexure B
3. The Council of Maruleng Local Municipality, acting in terms of 75A of the Local Government: Municipal Systems Act (Act 32 of 2000) noted and adopts with effect from 1 July 2013 the tariffs for other services, as set out in Annexure B .
4. To give proper effect to the municipality's draft budget, the Council of Maruleng Local Municipality noted:
 - 4.1. That cash backing is implemented through the utilization of a portion of the revenue generated from property rates to ensure that all capital reserves and unspent conditional grants are cash backed as required in terms of the municipality's funding and reserves policy as prescribed by section 8 of the Municipal Budget and Reporting Regulations

1.3. EXECUTIVE SUMMARY

The application of sound financial planning and financial management principles are very critical in achieving the Municipality's financial objectives

The following were the challenges experience during the compilation of the 2013/2014 MTREF

- The ongoing difficulties in the national and local economy
- Ageing and poorly maintained water and roads infrastructure
- The need to reprioritise projects and expenditure within the existing limited resource taking into account the current cash flow limitations
- Wage increases for municipal staff and need to fill critical vacancies

The following budget principles and guidelines directly informed the compilation of the 2013/2014 MTREF

- The 2012/13 Adjustments budget priorities and targets, as well as the base line allocations contained in that Adjustments were adopted as the upper limits for the new baselines for the 2013/2014 draft budget
- Tariff and property rate increases should be affordable and should generally not exceed inflation as measured by the CPI, except where there are price increases in the inputs of services that are beyond the control of the municipality, for instance the cost of bulk water. In addition, tariffs need to remain or move towards being cost reflective, and should take into account the need to address infrastructure backlogs;
- There will be no budget allocated to national and provincial funded projects unless the necessary grants to the municipality are reflected in the national and provincial budget and have been gazette as required by the annual Division of Revenue Act;

The following table is a consolidated overview of the proposed 2013/2014 MTREF

Table 1 Consolidated Overview of the 2013/14 MTREF

| Description | Current Year 2012/13 | | 2013/14 Medium Term Revenue & Expenditure Framework | | |
|---|----------------------|-------------------|---|------------------------|------------------------|
| | Original Budget | Adjusted Budget | Budget Year 2013/14 | Budget Year +1 2014/15 | Budget Year +2 2015/16 |
| Total Revenue (excluding capital transfers and contributions) | 106 938 155 | 100 518 612 | 102 370 370 | 106 600 527 | 123 692 946 |
| Total Expenditure | 87 380 987 | 80 456 071 | 90 497 622 | 100 440 857 | 106 212 698 |
| Surplus/(Deficit) | 19 557 168 | 20 062 541 | 11 872 749 | 6 159 670 | 17 480 248 |
| Transfers recognised - capital | 30 174 000 | 30 174 000 | 28 647 000 | 25 322 000 | 26 578 000 |
| Surplus/(Deficit) for the year | 49 731 168 | 50 236 541 | 40 519 749 | 31 481 670 | 44 058 248 |

- Total operating revenue has grown by 1.8 per cent or R1.8 million for the 2013/14 financial year when compared to the 2012/13 Adjustments Budget. For the two outer years, operational revenue will increased by 4.1 and 16.03 respectively. Total operating expenditure for the 2013/14 financial year has been appropriated at R90.4 million and translates into a budgeted surplus of R11.8 million. When compared to the 2012/13 Adjustments Budget, operational expenditure has grown by 12.4 per cent in the 2013/14 draft budget and by 11 and 5.4 per cent for each of the respective outer years of the MTREF. The operating surplus for the two outer years steadily decreased to R6.1 million and increased to R17.4 million. These surpluses will be used to fund capital expenditure and to further ensure cash backing of reserves and funds.
- The capital budget of R28.6 million for 2013/14 has decreased by 5.06 per cent when compared to the 2012/13 Adjustment Budget. The capital programme decreased by R3.3 million in the 2014/15 financial year and increased by R1.2 million in 2013/14.

1.4. OPERATING REVENUE FRAMEWORK

For Maruleng municipality to continue improving the quality of services provided to its citizens it needs to generate the required revenue. In these tough economic times strong revenue management is fundamental to the financial sustainability of every municipality. The reality is that we are faced with development backlogs and poverty. The expenditure required to address these challenges will inevitably always exceed available funding; hence difficult choices have to be made in relation to tariff increases and balancing expenditures against realistically anticipated revenues.

The municipality's revenue strategy is built around the following key components:

- National Treasury's guidelines and macroeconomic policy;
- Growth in the Municipality and continued economic development
- Efficient revenue management, which aims to ensure a 95 per cent annual collection rate for property rates and other key service charges;
- Achievement of full cost recovery of specific user charges especially in relation to trading services;
- Determining the tariff escalation rate by establishing/calculating the revenue requirement of each service;
- The municipality's Property Rates Policy approved in terms of the Municipal Property Rates Act, 2004 (Act 6 of 2004) (MPRA);
- The municipality's Indigent Policy and rendering of free basic services; and

The following table is a summary of the 2013/14 MTREF (classified by main revenue source)

Table 2 Summary of revenue classified by main revenue source

| Description | 2009/10 | 2010/11 | 2011/12 | Current Year 2012/13 | | | 2013/14 Medium Term Revenue & Expenditure Framework | | |
|--|-----------------|-----------------|-----------------|----------------------|-----------------|--------------------|---|------------------------|------------------------|
| R thousand | Audited Outcome | Audited Outcome | Audited Outcome | Original Budget | Adjusted Budget | Full Year Forecast | Budget Year 2013/14 | Budget Year +1 2014/15 | Budget Year +2 2015/16 |
| <u>Revenue By Source</u> | | | | | | | | | |
| Property rates | 8 411 | 9 399 | 10 342 | 12 000 | 12 000 | 12 000 | 12 612 | 13 230 | 13 878 |
| Service charges - refuse revenue | 1 613 | 1 966 | 2 261 | 2 208 | 2 208 | 2 208 | 2 321 | 2 434 | 2 554 |
| Rental of facilities and equipment | 488 | 351 | 320 | 310 | 297 | 297 | 312 | 327 | 343 |
| Interest earned - external investments | 159 | 335 | 753 | 750 | 800 | 800 | 841 | 882 | 925 |
| Interest earned - outstanding debtors | – | 234 | 217 | 107 | 107 | 107 | 113 | 118 | 124 |
| Fines | 1 | | 143 | 139 | 200 | 200 | 210 | 220 | 231 |
| Licences and permits | 1 887 | | | – | – | – | | | |
| Agency services | – | 3 564 | | 6 136 | 4 241 | 4 241 | 4 518 | 4 739 | 4 972 |
| Transfers recognised - operational | 35 104 | 41 599 | 52 984 | 61 813 | 64 984 | 64 984 | 67 252 | 74 634 | 95 782 |
| Other revenue | 7 219 | 643 | 4 255 | 19 899 | 14 182 | 14 182 | 12 118 | 10 015 | 4 883 |
| Gains on disposal of PPE | | 3 766 | 354 | 3 575 | 1 500 | 1 500 | 2 075 | | |
| Total Revenue (excluding capital transfers and contributions) | 54 882 | 61 858 | 71 629 | 106 938 | 100 519 | 100 519 | 102 370 | 106 601 | 123 693 |

Table 3 Percentage growth in revenue by main revenue source

| Description | 2012/13 | | 2013/14 Medium Term Revenue & Expenditure Framework | | | | | |
|--|--------------------|------|---|------|------------------------|------|------------------------|------|
| | Adjusted Budget | % | Budget Year 2013/14 | % | Budget Year +1 2014/15 | % | Budget Year +2 2015/16 | % |
| Revenue By Source | | | | | | | | |
| Property rates | 12 000 000 | 12% | 12 612 000 | 12% | 13 229 988 | 12% | 13 878 257 | 11% |
| Service charges - refuse revenue | 2 208 000 | 2% | 2 320 608 | 2% | 2 434 318 | 2% | 2 553 599 | 2% |
| Rental of facilities and equipment | 296 600 | 0% | 311 727 | 0% | 327 001 | 0% | 343 024 | 0% |
| Interest earned - external investments | 800 000 | 1% | 840 800 | 1% | 881 999 | 1% | 925 217 | 1% |
| Interest earned - outstanding debtors | 107 400 | 0% | 112 877 | 0% | 118 408 | 0% | 124 210 | 0% |
| Fines | 200 000 | 0% | 210 200 | 0% | 220 500 | 0% | 231 304 | 0% |
| Agency services | 4 241 300 | 4% | 4 517 512 | 4% | 4 739 321 | 4% | 4 972 143 | 4% |
| Transfers recognised - operational | 64 983 757 | 65% | 67 252 000 | 66% | 74 634 000 | 70% | 95 782 000 | 77% |
| Other revenue | 14 181 555 | 14% | 12 117 647 | 12% | 10 014 991 | 9% | 4 883 191 | 4% |
| Gains on disposal of PPE | 1 500 000 | 1% | 2 075 000 | 2% | | 0% | | 0% |
| Total Revenue (excluding capital transfers and contributions) | 100 518 612 | | 102 370 370 | | 106 600 527 | | 123 692 946 | |
| | | 100% | | 100% | | 100% | | 100% |

In line with the formats prescribed by the Municipal Budget and Reporting Regulations, capital transfers and contributions are excluded from the operating statement, as inclusion of these revenue sources would distort the calculation of the operating surplus/deficit.

Revenue generated from rates and services charges forms only 14 percentage of the revenue basket for the Municipality because the Municipality depends mainly on grants.

In the 2012/13 financial year, revenue from rates and services charges totaled R14.2 million or 14 per cent as calculated to the total revenue. This increases to R14.9 million, R15.3 million and R16.3 million in the respective financial years of the MTREF. The above table excludes revenue foregone arising from discounts and rebates associated with the tariff policies of the Municipality

Apart from Transfers recognized – operational which is about 65 percentage of the total revenue mix, property rates is the largest own revenue source in 2013/14 financial period. The second largest own sources is, other revenue which consists of various items such as town planning fees, building plan fees, clearance certificates, rental sign boards, tender documents and sales of Transnet houses ,etc. Municipality has been urged to review the tariffs of these items on an annual basis to ensure they are cost reflective and market related.

Operating grants and transfers totals R64.9 million in the 2012/13 financial year and steadily increases to R74.6 million by 2014/15. Note that the year-on-year growth for the 2014/15 and 2015/16 financial year are 70 per cent and increase to 77 in the two outer years. The following table gives a breakdown of the various operating grants and subsidies allocated to the municipality over the medium term:

Table 4 Operating Transfers and Grant Receipts

| Description | 2009/10 | 2010/11 | 2011/12 | Current Year 2012/13 | | | 2013/14 Medium Term Revenue & Expenditure Framework | | |
|---|-----------------|-----------------|-----------------|----------------------|-----------------|--------------------|---|------------------------|------------------------|
| | Audited Outcome | Audited Outcome | Audited Outcome | Original Budget | Adjusted Budget | Full Year Forecast | Budget Year 2013/14 | Budget Year +1 2014/15 | Budget Year +2 2015/16 |
| RECEIPTS: Operating Transfers and Grants National Government: | 35 150 221 | 41 599 260 | 49 088 138 | 61 813 000 | 64 879 862 | 64 879 862 | 67 252 000 | 74 634 000 | 95 782 000 |
| Local Government | 32 310 000 | 39 322 522 | 47 176 000 | 53 513 000 | 53 513 000 | 53 513 000 | 60 742 000 | 71 900 000 | 92 865 000 |
| Equitable Share | 1 622 231 | 1 417 085 | 518 561 | 1 500 000 | 1 606 423 | 1 606 423 | 1 620 000 | 1 800 000 | 1 950 000 |
| Finance | 1 217 990 | 859 653 | 1 393 577 | 800 000 | 1 071 439 | 1 071 439 | 890 000 | 934 000 | 967 000 |
| Municipal Systems Improvement | | | | | | | | | |
| Integrated National Electrification Programme | | | | 5 000 000 | 5 000 000 | 5 000 000 | - | - | - |
| EPWP Incentive | | | | 1 000 000 | 1 689 000 | 1 689 000 | 1 000 000 | | |
| Other transfers/grants [insert description] | | | | | 2 000 000 | 2 000 000 | 3 000 000 | | |
| District Municipality: | 3 406 004 | - | 3 896 105 | - | - | - | - | - | - |
| mopani district | 3 406 004 | - | 3 896 105 | | | | | | |
| Other grant providers: | 2 000 019 | - | - | - | - | - | - | - | - |
| LED | 2 000 019 | - | | | | | | | |
| Total Operating Transfers and Grants | 40 556 244 | 41 599 260 | 52 984 243 | 61 813 000 | 64 879 862 | 64 879 862 | 67 252 000 | 74 634 000 | 95 782 000 |
| Capital Transfers and Grants National Government: | 18 545 000 | 14 985 753 | 30 279 670 | 30 174 000 | 30 174 000 | 30 174 000 | 28 647 000 | 25 322 000 | 26 578 000 |
| Municipal Infrastructure Grant (MIG) | 18 545 000 | 14 985 753 | 30 279 670 | 30 174 000 | 30 174 000 | 30 174 000 | 28 647 000 | 25 322 000 | 26 578 000 |
| Total Capital Transfers and Grants | 18 545 000 | 14 985 753 | 30 279 670 | 30 174 000 | 30 174 000 | 30 174 000 | 28 647 000 | 25 322 000 | 26 578 000 |
| TOTAL RECEIPTS OF TRANSFERS & GRANTS | 59 101 244 | 56 585 013 | 83 263 913 | 91 987 000 | 95 053 862 | 95 053 862 | 95 899 000 | 99 956 000 | 122 360 000 |

Tariff-setting is a fundamental and strategic part of the compilation of any budget. When rates, tariffs and other charges were revised, local economic conditions, input costs and the affordability of services were taken into account to ensure the financial sustainability of the Municipality.

Maruleng municipality has made changes on the tariff structure or revenue forgone based on the circular 67 of the MFMA. National Treasury continues to encourage municipalities to keep increases in rates, tariffs and other charges as low as possible. Maruleng Municipality has justified the budget in an excess of the 5.6 per cent.

It must also be appreciated that the consumer price index, as measured by CPI, is not a good measure of the cost increases of goods and services relevant to municipalities. The basket of goods and services utilised for the calculation of the CPI consist of items such as food, petrol and medical services, whereas the cost drivers of a municipality are informed by items such as the cost of remuneration, bulk purchases of Municipality and water, petrol, diesel, chemicals,

cement etc. The current challenge facing the Municipality is managing the gap between cost drivers and tariffs levied, as any shortfall must be made up by either operational efficiency gains or service level reductions. Within this framework the Municipality has undertaken the tariff setting process relating to service charges as follows.

1.4.1. Property Rates

Property rates cover the cost of the provision of general services. Determining the effective property rate tariff is therefore an integral part of the municipality's budgeting process. National Treasury's MFMA Circular No. 51 deals, inter alia with the implementation of the Municipal Property Rates Act, with the regulations issued by the Department of Co-operative Governance. These regulations came into effect on 1 July 2009 and prescribe the rate ratio for the non-residential categories, public service infrastructure and agricultural properties relative to residential properties to be 0, 73:1 the implementation of these regulations was done in the previous budget process and the Property Rates Policy of the Municipality has been amended accordingly.

The following stipulations in the Property Rates Policy are highlighted:

- The first R15 000 of the market value of a property used for residential purposes is excluded from the rate-able value (Section 17(h) of the MPRA). In addition to this rebate, a further 45% of the reduction on the market value of a property will be granted in terms of the Municipality's own Property Rates Policy;
- 65 per cent rebate will be granted on residential properties (including state owned residential properties but excluding sectional title scheme and residential properties in non private estate);
- 100 per cent rebate will be granted to residential properties in rural, informal settlement and registered indigents in terms of the Indigent Policy;
- For pensioners, physically and mentally disabled persons, a maximum/total rebate of 50 per cent (calculated on a sliding scale) will be granted to owners of rate-able property if the total gross income of the applicant and/or his/her spouse, if any, does not to exceed the amount equal to twice the annual state pension as approved by the National Government for a financial year. In this regard the following stipulations are relevant:
 - The rate-able property concerned must be occupied only by the applicant and his/her spouse, if any, and by dependants without income;
 - The applicant must submit proof of his/her age and identity and, in the case of a physically or mentally handicapped person, proof of certification by a Medical Officer of Health, also proof of the annual income from a social pension;
 - The applicant's account must be paid in full, or if not, an arrangement to pay the debt should be in place; and
 - The property must be categorized as residential.
- The Municipality may award a 100 per cent grant-in-aid on the assessment rates of rate-able properties of certain classes such as registered welfare organizations, institutions or organizations performing charitable work, sports grounds used for purposes of amateur sport. The owner of such a property must apply to the Chief Financial Officer in the prescribed format for such a grant.
- The Municipality does not have special rating; one levying rate is applied for all categories. The current levying rate is 0.0096 for 2013/2014

1.4.2. Sale of Water and Impact of Tariff Increases

South Africa faces similar challenges with regard to water supply as it did with Municipality, since demand growth outstrips supply. Consequently, National Treasury is encouraging all municipalities to carefully review the level and structure of their water tariffs to ensure:

- Water tariffs are fully cost-reflective – including the cost of maintenance and renewal of purification plants, water networks and the cost associated with reticulation expansion;
- Water tariffs are structured to protect basic levels of service and ensure the provision of free water to the poorest of the poor (indigent); and
- Water tariffs are designed to encourage efficient and sustainable consumption.

In addition National Treasury has urged all municipalities to ensure that water tariff structures are cost reflective by 2014.

Maruleng Municipality is not a water authority in terms of the Act but rendering the service on behalf of the District. The Municipality receives bulk water from the Department of Public Works. Public Works has not increased its water tariffs, which is 2.04 p/kl and will remain unchanged in the 2013/2014 financial year.

A tariff increase of 5.6 per cent from 1 July 2013 for water is proposed. This is based on the increase in the cost of other inputs.

A summary of the proposed tariffs for households (residential) and non-residential are as follows:

Table 5 Proposed Water Tariffs

| CATEGORY | CURRENT TARRIFF 2012/13 | PROPOSED TARRIFF 2013/14 |
|-------------------------------|-------------------------------|--------------------------------|
| | Rand per kl | Rand per kl |
| RESIDENTIAL | | |
| Water basic per household p/m | 5.65 | 6.00 |
| Water consumption p/kl | 4.15 | 4.40 |
| | | |
| NON RESIDENTIAL | | |
| Water basic per household p/m | 5.65 | 6.00 |
| Water consumption p/kl | 8.16 | 8.60 |

1.4.3. Sanitation and Impact of Tariff Increases

A tariff increase of 5.6 per cent for sanitation from 1 July 2013 is proposed. This is based on the input cost assumptions related to water.

Table 6 Comparison between current and proposed sanitation charges

| CATEGORY | CURRENT TARRIFF 2012/13 | PROPOSED TARRIFF 2013/14 |
|---------------------------|-------------------------------|--------------------------------|
| | Rand per kl | Rand per kl |
| RESIDENTIAL | | |
| Sewerage per dwelling p/m | 47.80 | 50.50 |
| | | |
| NON RESIDENTIAL | | |
| Sewerage per dwelling p/m | 49.43 | 52.20 |

1.4.4. Waste Removal and Impact of Tariff Increases

The Municipality has a contract for waste removal for businesses and also have employees who collect refuse for residential areas.

The Municipality will have to implement a solid waste strategy to ensure that this service can be rendered in a sustainable manner over the medium to long-term. The Municipality's landfill site is situated 55 km outside the collection areas.

A 5.6 per cent increase in the waste removal tariff is proposed from 1 July 2013. Higher increases will not be viable in 2012/13 owing to the significant increases implemented in previous financial years as well as the overall impact of higher than inflation increases of other services.

The following table compares current and proposed amounts payable from 1 July 2013.

Table 7 Comparison between current and proposed waste removal fees

| | CURRENT 2012/13 TARIFFS | PROPOSED 2013/14 TARIFFS |
|--|-------------------------------|--------------------------------|
| | WASTE REMOVAL | WASTE REMOVAL |
| Tariff per container per month or part of a month: | Per month (R) | Per month (R) |
| BUSINESS | 4941.57 | 5318.30 |
| 6m container removed once a week | 3953.26 | 4174.64 |
| Wheel bins | 988.31 | 1043.66 |
| PUBLIC WORKS | 489.86 | 1083.37 |
| Domestics | 67.25 | 43.24 |
| Messe & Base | 422.61 | 128.36 |
| RESIDENTIAL | 1025.90 | 1083.37 |
| Refuse collection per unit | 40.95 | 43.24 |
| Refuse coupons per bakkie | 121.55 | 128.36 |
| Garden refuse and rubles - Full load | 575.60 | 607.83 |
| Garden refuse and rubles - Full load | 287.80 | 303.94 |

1.4.5. Overall impact tariff increase on households

The following table shows the overall expected impact of the tariff increases on a large and small household, as well as an indigent household receiving free basic services.

Note that in all instances the overall impact of the tariff increases on household's bills has been kept to between 12 and 13 per cent, with the increase for indigent households closer to 12 per cent.

1.5. Operating Expenditure Framework

The Municipality's expenditure framework for the 2012/13 budget and MTREF is informed by the following:

- Balanced budget constraint (operating expenditure should not exceed operating revenue) unless there are existing uncommitted cash-backed reserves to fund any deficit;
- Funding of the budget over the medium-term as informed by Section 18 and 19 of the MFMA;
- The capital programme is aligned to the asset renewal strategy and backlog eradication plan;
- Operational gains and efficiencies will be directed to funding the capital budget and other core services; and
- Strict adherence to the principle of no budget no spending.

- The following table is a high level summary of the 2012/13 budget and MTREF (classified per main type of operating expenditure):

Table 8: Summary of operating expenditure by standard classification item

| Description | 2009/10 | 2010/11 | 2011/12 | Current Year 2012/13 | | | 2013/14 Medium Term Revenue & Expenditure Framework | | |
|---------------------------------|-------------------|-------------------|-------------------|----------------------|-------------------|--------------------|---|------------------------|------------------------|
| | Audited Outcome | Audited Outcome | Audited Outcome | Original Budget | Adjusted Budget | Full Year Forecast | Budget Year 2013/14 | Budget Year +1 2014/15 | Budget Year +2 2015/16 |
| Expenditure By Type | | | | | | | | | |
| Employee related costs | 21 044 581 | 26 382 344 | 28 016 594 | 39 515 452 | 31 969 012 | 31 969 012 | 39 333 869 | 45 453 019 | 48 362 012 |
| Remuneration of councillors | 5 367 776 | 5 683 264 | 6 846 399 | 7 381 665 | 7 600 333 | 7 600 333 | 7 586 586 | 8 559 591 | 9 107 405 |
| Debt impairment | | 3 356 782 | 3 588 743 | 3 500 000 | 3 500 000 | 3 500 000 | 3 685 500 | 3 866 090 | 4 055 528 |
| Depreciation & asset impairment | 4 024 621 | 4 609 005 | 8 240 553 | 5 500 000 | 5 500 000 | 5 500 000 | 5 791 500 | 6 075 284 | 6 372 972 |
| Finance charges | 72 055 | 34 729 | 41 229 | | 70 000 | 70 000 | 73 710 | 77 322 | 81 111 |
| Bulk purchases | 392 348 | 402 255 | 459 223 | 600 000 | 600 000 | 600 000 | 631 800 | 662 758 | 695 233 |
| Other materials | 128 492 | 860 294 | 1 137 301 | 1 795 000 | 1 845 000 | 1 845 000 | 2 017 485 | 2 119 872 | 2 223 745 |
| Contracted services | 3 581 114 | 4 379 221 | 5 214 941 | 6 050 000 | 6 050 000 | 6 050 000 | 6 370 650 | 6 682 812 | 7 010 270 |
| Transfers and grants | - | - | - | - | - | - | - | - | - |
| Other expenditure | 10 749 928 | 15 036 514 | 27 094 070 | 23 038 870 | 23 321 726 | 23 321 726 | 25 006 522 | 26 944 111 | 28 304 422 |
| Loss on disposal of PPE | 6 302 | - | | | | | | | |
| Total Expenditure | 45 367 217 | 60 744 408 | 80 639 053 | 87 380 987 | 80 456 071 | 80 456 071 | 90 497 622 | 100 440 857 | 106 212 698 |

The budgeted allocation for employee related costs for the 2013/14 financial year totals R39.3 million, which equals 43.5 per cent of the total operating expenditure. The CPI for 2012/13 which is 5.6 has been taken in to consideration; the municipality has provided an increase of salaries and wages for 2013/14 of 6.85 per cent (5.6 per cent plus 1.25 per cent). The agreement also provides for a 1 per cent increase for the 2014/15 financial year. In this regard, Municipality provided for a 6.4 per cent (5.4 per cent plus 1 per cent) increase for the 2014/15 and 2015/16 financial period.

The Municipality has taken into consideration for vacant and critical positions and therefore made a provision for them. The budget has been made for critical positions like Directors (Community services, SPED and CFO) and also for the senior Managers.

A preliminary amount of R39.3 million has been included in the 2013/14 MTREF. It should be noted that the total financial implication could not be determined as the applicable municipal wage curve (representing equal pay for equal work at all municipalities in South Africa) has not been finalized.

The cost associated with the remuneration of councilors is determined by the Minister of Co-operative Governance and Traditional Affairs in accordance with the Remuneration of Public Office Bearers Act, 1998 (Act 20 of 1998). The most recent proclamation in this regard has been taken into account in compiling the Municipality's budget.

The provision of debt impairment was determined based on an annual collection rate of 4 per cent and the Debt Write-off Policy of the Municipality. For the 2013/14 financial year this amount equates to R3.6 million and escalates to R4 million by 2015/16. While this expenditure is considered to be a non-cash flow item, it informed the total cost associated with rendering the services of the municipality, as well as the municipality's realistically anticipated revenues.

Provision for depreciation and asset impairment has been informed by the Municipality's Asset Management Policy. Depreciation is widely considered a proxy for the measurement of the rate asset consumption.

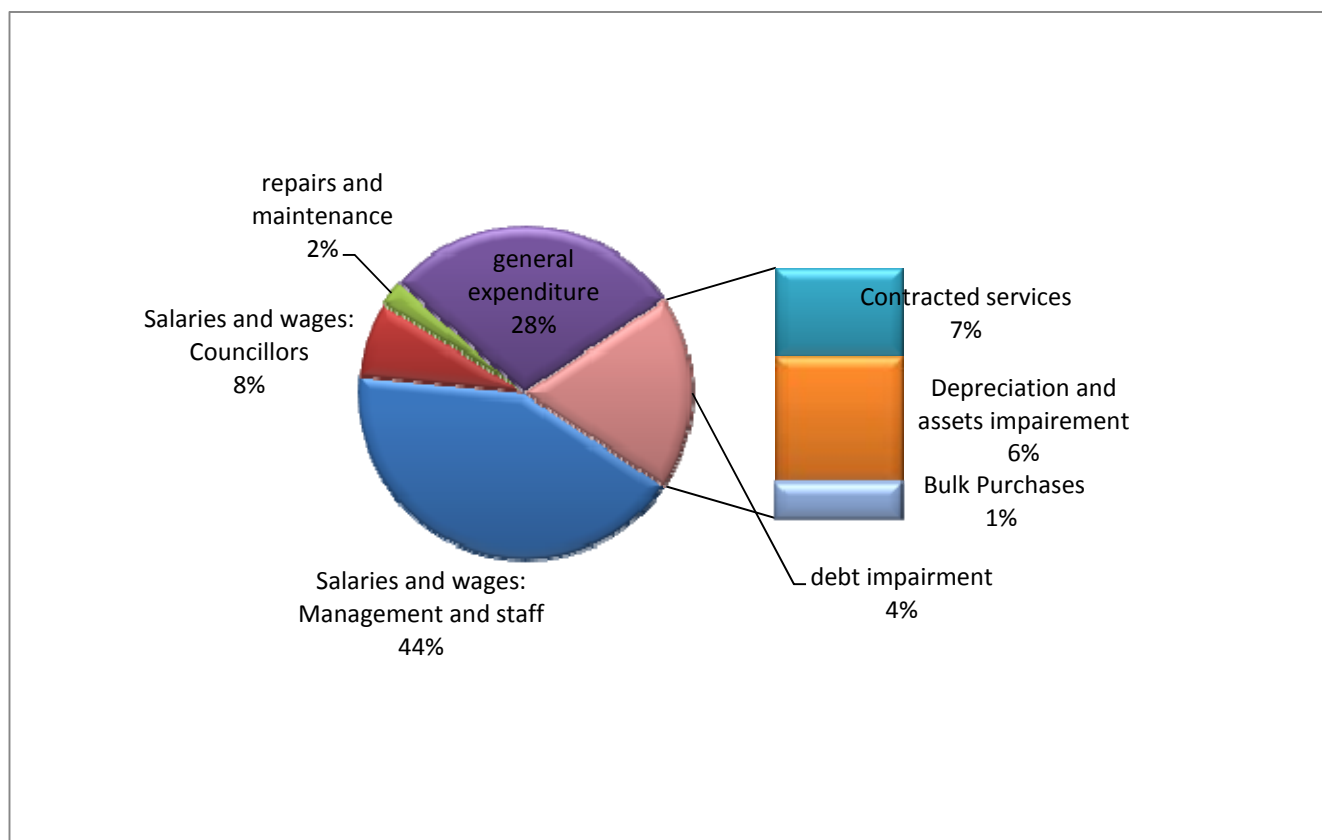
Bulk purchases are directly informed by free basic electricity. The annual price increases have been factored into the budget appropriations and directly inform the revenue provisions. The expenditures exclude distribution losses.

Other material comprises of amongst others the materials for maintenance and cleaning materials. For 2013/14 the appropriation for this group of expenditure totals R 2 million and equates 1.1 per cent of the total operating expenditure. The repairs and maintenance are done in house. The budget for repairs and maintenance are therefore be used for the purchasing of the materials.

Contracted services have been identified to render service on behalf of or to the Municipality. In the 2013/14 financial year budget for contracted services comprises of 6.3 million which was indirectly related to the rendering of refuse removal and security services. This group of expenditure has escalated to 7 million for 2015/16 financial period. This major increase was caused by an increase in the number of points where security services is needed and the distance between the landfill site and the municipal collection points. For the two outer years growth has been limited to 6.7 per cent and 6.6 percent respectively when comparing to total operating expenditure

Other expenditure comprises of various line items relating to the daily operations of the municipality. This group of expenditure has also been identified as an area in which cost savings and efficiencies can be achieved. An increase has been made to other expenditure by 7.2 per cent for 2013/14 and increased 7.7 per cent and 5 percent for the two outer years, indicating that significant cost savings have been already realized.

Table 9 the following table gives a breakdown of the main expenditure categories for the 2013/14 financial year.



1.6. Capital expenditure

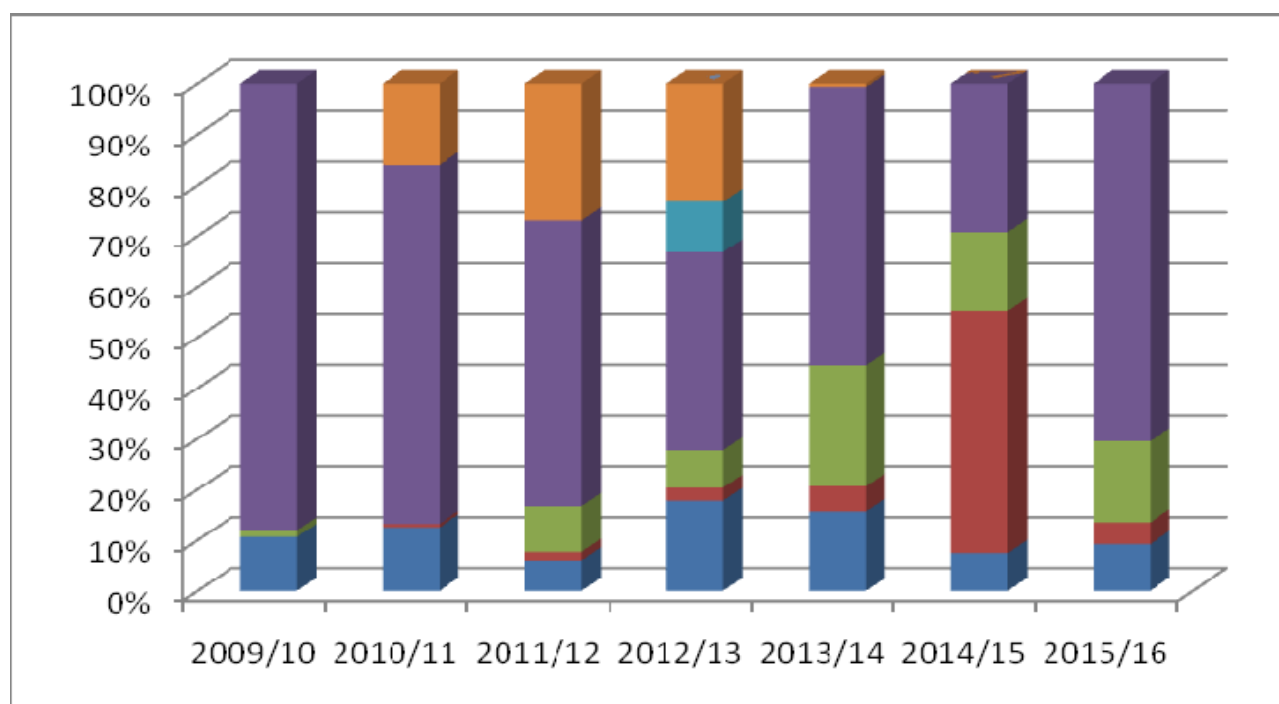
The following table provides a breakdown of budgeted capital expenditure by vote:

Table 09: 2013/14 Medium-term capital budget per vote

| Vote Description | Current Year 2012/13 | | 2013/14 Medium Term Revenue & Expenditure Framework | | | | | |
|---|-------------------------|-------------|---|-------------|---------------------------|-------------|---------------------------|-------------|
| | Adjusted Budget | | Budget Year 2013/14 | % | Budget Year +1 2014/15 | % | Budget Year +2 2015/16 | % |
| Corporate services | 8 924 000 | 18% | 6 232 490 | 16% | 2 210 785 | 7% | 3 054 854 | 9% |
| Community and social services | 1 316 556 | 3% | 1 983 000 | 5% | 14 170 456 | 48% | 1 450 000 | 4% |
| Sport and recreation | 3 672 706 | 7% | 9 460 719 | 24% | 4 644 544 | 16% | 5 311 819 | 16% |
| Road transport | 19 632 943 | 39% | 21 800 000 | 55% | 8 687 000 | 29% | 23 442 181 | 70% |
| Electricity | 5 000 000 | 10% | - | 0% | - | - | - | - |
| Waste water management | 11 690 336 | 23% | 266 281 | 1% | - | - | - | - |
| Total Capital Expenditure - Standard | 50 236 541 | 100% | 39 742 490 | 100% | 29 712 785 | 100% | 33 258 854 | 100% |

For 2013/14 an amount of R21.8 million has been appropriated for the development of Roads Transport which represents 55 per cent of the total capital budget. In the outer years this amount totals R8 million, 29 per cent and R23 million, 70 per cent respectively for each of the financial years. Transport and roads receives the highest allocation for the year ended 2014 followed by sports and recreations with 9.4 million which is 24 per cent of the capital expenditure.

The following graph provide a breakdown of the capital budget to be spent on infrastructure related projects over the MTREF



| | 2009/10 | 2010/11 | 2011/12 | 2012/13 | 2013/14 | 2014/15 | 2015/16 |
|-------------------------------|------------|------------|------------|------------|------------|------------|------------|
| Corporate services | 2 508 279 | 1 890 404 | 1 879 050 | 8 924 000 | 6 232 490 | 2 210 785 | 3 054 854 |
| Community and social services | | 101 661 | 529 507 | 1 316 556 | 1 983 000 | 14 170 456 | 1 450 000 |
| Sport and recreation | 317 021 | - | 2 811 811 | 3 672 706 | 9 460 719 | 4 644 544 | 5 311 819 |
| Road transport | 20 759 226 | 10 605 791 | 17 582 478 | 19 632 943 | 21 800 000 | 8 687 000 | 23 442 181 |
| Electricity | | | | 5 000 000 | - | | |
| Waste water management | - | 2 418 311 | 8 431 107 | 11 690 336 | 266 281 | - | - |

1.7 Annual Budget Tables - Parent Municipality

See attached copy Annual budget which represents the ten main budget tables (Table A1 to Table A10) as required in terms of section 8 of the Municipal Budget and Reporting Regulations. These tables set out the municipality's 2013/14 budget and MTREF as approved by the Council.

- **Table A1 – Budget Summary**

Explanatory notes to MBRR Table A1 - Budget Summary

1. Table A1 is a budget summary and provides a concise overview of the Municipality's budget from all of the major financial perspectives (operating, capital expenditure, financial position, cash flow, and MFMA funding compliance).
2. The table provides an overview of the amounts approved by Council for operating performance, resources deployed to capital expenditure, financial position, cash and funding compliance, as well as the municipality's commitment to eliminating basic service delivery backlogs.
3. Financial management reforms emphasize the importance of the municipal budget being funded. This requires the simultaneous assessment of the Financial Performance, Financial Position and Cash Flow Budgets, along with the Capital Budget. The Budget Summary provides the key information in this regard:
 - a. The operating surplus/deficit (after Total Expenditure) is positive over the MTREF
 - b. Capital expenditure is balanced by capital funding sources, of which
 - I. Transfers recognized are reflected on the Financial Performance Budget;
 - II. Internally generated funds are financed from a combination of the current operating surplus and accumulated cash-backed surpluses from previous years. The amount is incorporated in the Net cash from investing on the Cash Flow Budget. The fact that municipality's cash flow remains positive, and is improving indicates that the necessary cash resources are available to fund the Capital Budget.
4. The Cash backing/surplus reconciliation shows that in previous financial years the municipality was not paying much attention to managing this aspect of its finances, and consequently many of its obligations are not cash-backed. This place the municipality in a very vulnerable financial position, as the recent slow-down in revenue collections highlighted. Consequently Council has taken a deliberate decision to ensure adequate cash-backing for all material obligations in accordance with the recently adopted Funding and Reserves Policy. This cannot be achieved in one financial year. But over the MTREF there is progressive improvement in the level of cash-backing of obligations. It is anticipated that the goal of having all obligations cash-back will be achieved by 2013/14, when a small surplus is reflected
5. Even though the Council is placing great emphasis on securing the financial sustainability of the municipality, this is not being done at the expense of services to the poor. The section of Free Services shows that the amount spent on Free Basic Services and the revenue cost of free services provided by the municipality continues to increase. In addition, the municipality continues to make progress in

addressing service delivery backlogs. It is anticipated that by 2013/14 the water backlog will have been very nearly eliminated.

- **Table A2 - Budgeted Financial Performance (revenue and expenditure by standard classification)**

Explanatory notes to MBRR Table A2 - Budgeted Financial Performance (revenue and expenditure by standard classification)

1. Table A2 is a view of the budgeted financial performance in relation to revenue and expenditure per standard classification. The modified GFS standard classification divides the municipal services into 15 functional areas. Municipal revenue, operating expenditure and capital expenditure are then classified in terms of each of these functional areas which enables the National Treasury to compile 'whole of government' reports.
2. The Total Revenue on this table includes capital revenues (Transfers recognized – capital) and so does not balance to the operating revenue shown on Table A4.
3. Note that as a general principle the revenues for the Trading Services should exceed their expenditures. Table 2 shows the surplus of R40 million for 2013/14 financial periods, this proves that the municipality follows section 18 of the MFMA. The municipality shows a surplus for all perspective years.

- **Table A3 - Budgeted Financial Performance (revenue and expenditure by municipal vote)**

Explanatory notes to MBRR Table A3 - Budgeted Financial Performance (revenue and expenditure by municipal vote)

1. Table A3 is a view of the budgeted financial performance in relation to the revenue and expenditure per municipal vote. This table facilitates the view of the budgeted operating performance in relation to the organizational structure of the municipality. This means it is possible to present the operating surplus or deficit of a vote.

- **Table A4 - Budgeted Financial Performance (revenue and expenditure)**
Explanatory notes to Table A4 - Budgeted Financial Performance (revenue and expenditure)

1. Total revenue is R102.3 million in 2013/14 and plummets to R106 million and R123 million for each of the respective years of the MTREF. This shows an increase of 1.8 per cent for the 2013/14 financial year and increase to 4 percent and 16 percent for each of the respective years.
2. Revenue to be generated from property rates is R12.6 million in the 2012/13 financial year and increases to R13.8 million by 2015/16 which represents 12 per cent of the operating revenue base of the municipality and therefore remains a significant funding source for the municipality. It remains relatively constant over the medium-term and tariff increases have been factored in at 5.6 per cent, 5.4 per cent and 5.4 per cent for each of the respective financial years of the MTREF.

3. Other revenue like town planning fees, building plans, clearance certificates, income from Transnet houses, etc constitutes the biggest component of the revenue basket of the municipality totaling R12.1 million for the 2013/14 financial year and decreased to R10 million by 2014/15. For the 2014/15 financial year other revenue amount to 9.3 per cent of the total revenue base and declined by 3.9 per cent to 2015/16. Included in the other revenue item there is an amount for accumulated surplus which is R7.6 million for 2013/14 financial year which will be used to fund other capital projects.
 4. Transfers recognized – operating includes the local government equitable share and other operating grants from national and provincial government. The grants receipts from national government are growing rapidly over the MTREF by 3.5 per cent for 2013/14 financial period and 10.9 per cent and 28 percent for the two outer years when compared to the operating grants for previous years.
 5. Bulk purchases have significantly increased over the 2013/14 to 2015/16 period escalating from R632 thousands to R695 thousands Rands.
 6. Employee related costs and bulk purchases are the main cost drivers within the municipality
- **Table A5 - Budgeted Capital Expenditure by vote, standard classification and funding source**

Explanatory notes to Table A5 - Budgeted Capital Expenditure by vote, standard classification and funding source

1. Table A5 is a breakdown of the capital programme in relation to capital expenditure by municipal vote (multi-year and single-year appropriations); capital expenditure by standard classification; and the funding sources necessary to fund the capital budget, including information on capital transfers from national and provincial departments.
 2. The MFMA provides that a municipality may approve multi-year or single-year capital budget appropriations. In relation to multi-year appropriations, for 2013/14 R39.7 million has been allocated for capital expenditure which decreased by 20.9 per cent when compares to 2012/13. This allocation plummets to R33.2 million in 2015/16
 3. The capital programme is funded from capital and provincial grants and transfers and internally generated funds from current year surpluses. For 2013/14 capital funds transfers by national government is R30.9 million and escalates to R24.5 and 25.7 million for the two outer years
- **Table A6 - Budgeted Financial Position**
Explanatory notes to Table A6 - Budgeted Financial Position
1. Table A6 is consistent with international standards of good financial management practice, and improves understandability for councilors and management of the impact of the budget on the statement of financial position (balance sheet).

2. This format of presenting the statement of financial position is aligned to GRAP1, which is generally aligned to the international version which presents Assets less Liabilities as “accounting” Community Wealth. The order of items within each group illustrates items in order of liquidity; i.e. assets readily converted to cash, or liabilities immediately required to be met from cash, appear first.
3. Table A6 is supported by an extensive table of notes SA3 which providing a detailed analysis of the major components of a number of items, including:
 - Call investments deposits;
 - Consumer debtors;
 - Property, plant and equipment;
 - Trade and other payables;
 - Provisions noncurrent;
 - Changes in net assets; and
 - Reserves
4. The municipal equivalent of equity is Community Wealth/Equity. The justification is that ownership and the net assets of the municipality belong to the community.
5. Any movement on the Budgeted Financial Performance or the Capital Budget will inevitably impact on the Budgeted Financial Position. As an example, the collection rate assumption will impact on the cash position of the municipality and subsequently inform the level of cash and cash equivalents at year end. Similarly, the collection rate assumption should inform the budget appropriation for debt impairment which in turn would impact on the provision for bad debt. These budget and planning assumptions form a critical link in determining the applicability and relevance of the budget as well as the determination of ratios and financial indicators. In addition the funding compliance assessment is informed directly by forecasting the statement of financial position.

Table A7 - Budgeted Cash Flow Statement

- **Explanatory notes to Table A7 - Budgeted Cash Flow Statement**
 1. The budgeted cash flow statement is the first measurement in determining if the budget is funded.
 2. It shows the expected level of cash in-flow versus cash out-flow that is likely to result from the implementation of the budget.
 3. The 2013/14 MTREF has been informed by the planning principle of ensuring adequate cash reserves over the medium-term.
 4. Cash and cash equivalents totals R10.6 million as at the end of the 2013/14 financial year and escalates to R38.1 million by 2015/16 financial period. The cash flow statement shows the positive movement from 2009/10 to 2015/16

Table A8 - Cash Backed Reserves/Accumulated Surplus Reconciliation

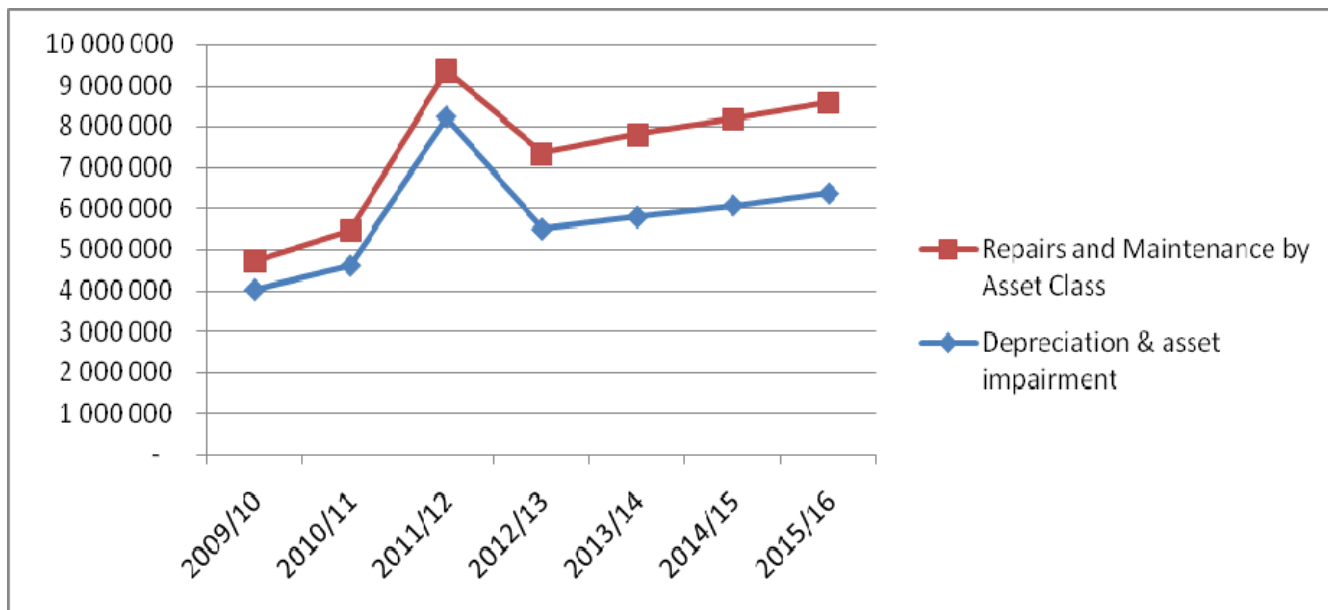
- **Explanatory notes to Table A8 - Cash Backed Reserves/Accumulated Surplus Reconciliation**

1. The cash backed reserves/accumulated surplus reconciliation is aligned to the requirements of MFMA Circular 42 – Funding a Municipal Budget.
2. In essence the table evaluates the funding levels of the budget by firstly forecasting the cash and investments at year end and secondly reconciling the available funding to the liabilities/commitments that exist.
3. The outcome of this exercise would either be a surplus or deficit. A deficit would indicate that the applications exceed the cash and investments available and would be indicative of non-compliance with the MFMA requirements that the municipality's budget must be "funded". The municipality shows the positive movement for all the years.
4. Non-compliance with section 18 of the MFMA is assumed because a shortfall would indirectly indicate that the annual budget is not appropriately funded.
5. From the table it can be seen that for the period 2010/11 there is a deficit deteriorated of 7.9 million.
6. Considering the requirements of section 18 of the MFMA, it can be shown that municipality has funded all the projects by having the positive cash
7. As part of the budgeting and planning guidelines that informed the compilation of the 2013/14 MTREF the end objective of the medium-term framework was to ensure the budget is funded aligned to section 18 of the MFMA.
8. As can be seen the budget has been modeled to progressively move from a R18.5 million for 2010/11 to R55.9 million for 2015/16 financial period

- **Table A9 - Asset Management**

Explanatory notes to Table A9 - Asset Management

1. Table A9 provides an overview of municipal capital allocations to building new assets and the renewal of existing assets, as well as spending on repairs and maintenance by asset class.
2. National Treasury has recommended that municipalities should allocate at least 40 per cent of their capital budget to the renewal of existing assets, and allocations to repairs and maintenance should be 8 per cent of PPE. The repairs and maintenance are done In house.
3. The following graph provides an analysis between depreciation and operational repairs and maintenance over the MTREF. It highlights the Municipality's strategy to address the maintenance backlog



- **Table A10 - Basic Service Delivery Measurement**

Explanatory notes to Table A10 - Basic Service Delivery Measurement (see attached document)

1. Table A10 provides an overview of service delivery levels, including backlogs (below minimum service level), for each of the main services.
- **Water-** About 20 102 (82.14%) households have access to water while 4 368 households have no access at all But in terms of RDP water standard only 16 662 households which constitutes 68.09% have access to water .
 - The main challenge is bulk water supply but Mopani District Municipality which is the WSA is currently construction water purification plant which will carter almost all villages and major developments
 - **Sanitation-** About 22 983 (93,9 %) households have access to basic sanitation currently the MDM has built about 7 362 units for sanitation the backlog is estimated at about 1 487 units
 - **Electricity-** About 22 166 (90.58%) households have access to electricity. ESKOM is currently completing 511 units .The municipality will electrify 400 units in the 2012/13 financial year and 800 units in 2013/14 through INEP grant. However, it must be noted that all villages have electricity the backlog is only on extensions and post connection, most of the community are using electricity for lighting, 16 575 (67.7%) households use wood which is environmental hazard

- **Refuse removal**-Only 1 666 households (6.8%) have access to refuse removal. Refuse removal is mainly done in urban areas. The municipality has only 1 licensed landfill site which is 55 case from municipal offices
- The municipality has a total of 563.2km road network, 321.79 km road tarred which constitutes 51.13%, and most strategic roads are tarred.
- There are 62 schools (39 primaries, 22 secondary & 1 combined) 66 classrooms are needed (backlog), 15 ABET Centers and 2012 Grade 12 pass rate was at 41.7%
- Indigent register- the municipality has adopted policy and register.
- The register facilitates the provision of free basic services; the updated indigents register has about 8249 households as beneficiaries.

PART 2 – SUPPORTING DOCUMENTATION

2.1 Overview of the Annual Budget Process

Section 53 of the MFMA requires the Mayor of the municipality to provide general political guidance in the budget process and the setting of priorities that must guide the preparation of the budget. In addition Chapter 2 of the Municipal Budget and Reporting Regulations states that the Mayor of the municipality must establish a Budget Steering Committee to provide technical assistance to the Mayor in discharging the responsibilities set out in section 53 of the Act.

The Budget Steering Committee consists of the Municipal Manager and senior officials of the municipality meeting under the chairpersonship of the MMC for Finance.

The primary aims of the Budget Steering Committee are to ensure:

- that the process followed to compile the budget complies with legislation and good budget practices;
- that there is proper alignment between the policy and service delivery priorities set out in the Municipality's IDP and the budget, taking into account the need to protect the financial sustainability of municipality;
- that the municipality's revenue and tariff setting strategies ensure that the cash resources needed to deliver services are available; and
- That the various spending priorities of the different municipal departments are properly evaluated and prioritized in the allocation of resources.

2.1.1 BUDGET PROCESS OVERVIEW

In terms of section 21 of the MFMA the Mayor is required to table in Council ten months before the start of the new financial year (i.e. in August 2010) a time schedule that sets out the process to revise the IDP and prepare the budget.

The Mayor tabled in Council the required the IDP and budget time schedule on 25 August 2010. Key dates applicable to the process were:

The IDP Process plan outlines the following:

- Phases and activities of the IDP process
- Structures that will manage the planning process and their respective roles
- Public/community participation or involvement
- Time schedule for the planning process
- Roles and responsibilities for participants
- Monitoring of the process

PHASES/STAGES OF THE IDP PROCESS

The table below shows the phases/stages of the IDP process and activities entailed for the Review of 2012/13 IDP.

| TABLE 1: PHASES OF THE IDP PROCESS | |
|--|--|
| IDP PHASES | ACTIVITIES |
| PREPARATORY June-July 2012 | <ul style="list-style-type: none"> ▪ Identification and establishment of stakeholders and or structures and sources of information ▪ Development of the IDP Process Plan |
| ANALYSIS PHASE August- September 2012 | <ul style="list-style-type: none"> ▪ Compilation of levels of development and backlogs that suggest areas of interventions |
| STRATEGIES PHASE September – October 2012 | <ul style="list-style-type: none"> ▪ Reviewing the Vision, Mission, Strategies and objectives |
| PROJECT PHASE October – December 2012 | <ul style="list-style-type: none"> ▪ Identification of possible projects and their funding sources |
| INTEGRATION PHASE January-February 2013 | <ul style="list-style-type: none"> ▪ Sector Plans summary inclusion and programmes of action |
| APPROVAL PHASE March-May 2013 | <ul style="list-style-type: none"> ▪ Submission of Draft IDP to Council ▪ Road-show on Public Participation and publication ▪ Amendments of draft IDP/Budget according to comments/inputs received ▪ Submission to Council for Final ▪ Approval and adoption by Council |

STRUCTURES THAT MANAGE/ DRIVE THE IDP

The following structures will be responsible to develop, implement and monitor the IDP/Budget of MLM. Municipal Manager with the assistance of the IDP Manager shall facilitate all IDP activities.

| TABLE 2: STRUCTURES THAT MANAGE/DRIVE THE IDP PROCESS | | |
|--|---|--|
| STRUCTURE | COMPOSITION | ROLE |
| Council | Members of Council (chair: Speaker) | Approve/adopt IDP and Budget |
| Executive Committee | Mayor, Portfolio Heads and members of the Management Committee (chair: Mayor) | Political oversight Assign responsibilities to Municipal Manager Submit draft IDP to Council |
| IDP Representative Forum | Government Departments, Ward Committee Members, CDWS, Traditional Leaders, CBOs, SOEs, Associations, Interest groups, Resource persons and Members of Council (chair: Mayor) | Represent interests of their constituencies Debate and confirm priorities of the municipality Monitor the performance of the planning and implementation processes |
| IDP Steering Committee | IDP Steering Committee -MM, Directors and Sectional Heads (chair: Municipal Manager) Budget Committee CFO, Directors, MM ,Internal Auditor, IDP Manager & Portfolio Head of Budget, Treasury, Corporate Services & Administration (chair: Portfolio Head of Budget, Treasury, Corporate Services & Administration) | Compilation and implementation of the IDP Provide technical expertise and support Budgetary processes of the municipality |
| Cluster Technical Committee (Local Managers Forum) | Consists of: Municipal Directors Managers of local Sector Departments & SOEs IDP Manager (chair: Municipal Manager) | Alignment, coordination and integration |
| Performance Audit Committee | Members of the Audit Committee Internal Auditor (chair: Chairperson of Performance Audit Committee) | IDP/Budget/Performance monitoring |
| Ward Committees | All Ward Committees (Chair: Ward Councillors) | Link the planning process to their wards Assist in public consultation and participation |
| MPAC | All MPAC Members | Oversight role on behalf of Council |
| COGHSTA | MEC for COGHSTA | Assess/Evaluate the IDP, comment and monitor its implementation |

PUBLIC PARTICIPATION

One of the main features about the integrated development planning process is the involvement of community and stakeholder organizations in the process. Participation of the affected and interested parties ensures that the IDP addresses the real issues that are experienced by the citizens of the municipality. The municipality will therefore:

- Conduct stakeholder identification exercise
- Ensure that the IDP representative Forum is the core structure that will provide direct representation of stakeholders in driving the IDP process
- Ensure that every phase of the planning process should allow public debates, recommendations and/or decisions that will guide the Council in its independent decision-making platform
- Arrange IDP meetings at a convenient venue and time
- Ensure participation of marginalized groupings

Areas of focus are in the identification of strategic development priorities as well as prioritizing resource allocation to programmes and projects.

POWERS AND FUNCTIONS OF MARULENG LOCAL MUNICIPALITY

Powers and functions conferred to the municipality are as provided for in the **Provincial Notice of Establishment of Municipalities, notice 309 of 2000, Government Gazette no.615/2000** and adjusted by the MEC for Local Government and Housing, in terms of **Limpopo Provincial Government Gazette no. 878 of March 2003**, where the following were transferred to Local Municipalities:

- Building regulations
- Billboards and the display of advertisements in public places
- Local tourism
- Municipal planning
- Storm water management
- Municipal parks and recreation
- Municipal roads
- Special programmes
- Disaster management
- Street lighting
- Refuse removal, refuse dumps and solid waste
- Traffic and licensing

IDP ACTIVITY FLOW

- The office of the Municipal Manager shall provide both facilitation and secretariat of the IDP Steering Committee and Representative Forum
- The IDP Steering Committee shall be involved in the drafting of the IDP Process plan

- The Municipal Manager on behalf of the Steering Committee shall submit the Process plan to the Mayor
- The Mayor shall submit the Process to the Executive Committee
- Executive Committee shall submit the Process plan to the Council
- The Office of the Municipal Manager shall facilitate the Steering Committee in drafting the IDP in all phases
- The Office of the Municipal Manager shall monitor planning processes in all phases
- The draft IDP shall be submitted to the Mayor for his oversight
- The Mayor shall submit the draft IDP to the Rep. forum and Executive Committee
- The Mayor shall submit the draft IDP/Budget to the Council
- The Council shall approve both the process plan and the IDP/Budget

ACTIVITY PROGRAMME

The activity plan shall take into account the District planning processes as well as the Provincial planning cycle for support by Sector Departments.

| TABLE 3: ACTIVITY PROGRAMME | |
|------------------------------------|--|
| 30 September 2012 | Status Quo Analysis Phase |
| 30 October 2012 | Strategy Phase |
| 31 December 2012 | Project Phase |
| 31 January 2013 | Integration Phase |
| 28 February 2013 | Draft IDP/Budget compiled |
| 31 March 2013 | Approval of Draft IDP/Budget |
| 20 April 2013 | Publish IDP/Budget for public comments |
| 23 April – 11 May 2013 | Public participation meetings |
| 31 May 2013 | Adoption of the final IDP/Budget |
| 31 May- 15 June 2013 | Compilation of SDBIP and summary of IDP |
| 12 June 2013 | IDP and Budget submitted to Provincial Treasury, National Treasury and COGHSTA |
| 20 June 2013 | Public notice on the adoption of the IDP/Budget |
| 28 June 2013 | Mayor signs the SDBIP |
| 29 June 2013 | S57 Managers sign Performance Agreements |

Table: 20 IDP/BUDGET ACTIVITY SCHEDULE (JULY 2012-JUNE 2013)

| TABLE 4: IDP/BUDGET ACTIVITY SCHEDULE | | | |
|--|--|---|-------------------------|
| DATE | IDP | BUDGET | RESPONSIBILITY |
| 30 July 2012 | IDP Steering Committee: Process Plan | Commencement of budget related processes | MM, IDP Manager and CFO |
| 31 July 2012 | IDP Representative Forum: Process plan | | MM, IDP Manager |
| 31 August 2012 | | Submit Financial statements to Provincial & National Treasury, the Auditor General and DLGH | MM, CFO |
| 27 September 2012 | Council Sitting: Adopts process plan | | Mayor, MM |
| 05 October 2012 | IDP Steering Committee: Analysis phase | | MM |
| 11 October 2012 | IDP Representative Forum: Analysis Phase | | MM |
| 17-19 October 2012 | Strategic Planning Session: Strategies phase | | MM, IDP Manager |
| 24 October 2012 | IDP Steering Committee: Strategy Phase | | MM, IDP Manager |
| 31 October 2012 | IDP Representative Forum: Strategies phase | | MM |
| November 2012 | Council notes strategies Phase | | Mayor, MM |
| 15 November 2012 | | Budget Committee : commence preparation of departmental | MM, CFO |

| | | | |
|------------------|--|--|-----------------|
| | | operational plans & SDBIP aligned to the strategic priorities and inputs from stakeholders | |
| 28 November 2012 | Managers Forum: Projects phase | | MM |
| 3 December 2012 | IDP Steering Committee: Project Phase | | MM, IDP Manager |
| 5 December 2012 | IDP Representative Forum: Projects phase | | MM |
| 12 December 2012 | Council sitting: notes Projects Phase | | Mayor, MM |
| 8 January 2013 | IDP Steering Committee: Integration Phase | | MM, IDP Manager |
| 10 January 2013 | Managers Forum: Integration phase | | MM |
| 18 January 2013 | | Budget Committee: First draft budget | MM, CFO |
| 21 January 2013 | EXCO: Noting Half year IDP performance report and Annual Report for 2009/10 | EXCO: Noting Half year budget performance report | MM |
| 25 January 2013 | Council Sitting: Half year IDP performance report and Annual Report for 2009/10 | -Tabling of the Adjustment Budget - finalize detailed operating & capital budgets, integrate & align to IDP and draft SDBIP, finalize budget policies | Mayor, MM, CFO |
| 1 February 2013 | Tabling of the 2011/12 Annual Report to the joint sitting of the Oversight and Performance Audit | | MM |

| | | | |
|----------------------|---|---|---------------------|
| | Committees | | |
| 11 February 2013 | Publication of the Annual Report for public input | Budget Committee: Considers departmental budget proposals | CFO |
| 11- 28 February 2013 | Oversight report (preparation, public participation etc) | | MPAC |
| 28 February 2013 | | Budget Committee: Draft Budget finalized | CFO |
| 4 March 2013 | IDP Steering Committee: Draft IDP/Budget | | MM,IDP Manager |
| 7 March 2013 | Managers Forum: Draft Budget/IDP | | MM |
| 14 March 2013 | IDP Representative Forum: Draft IDP/Budget | | MM,IDP Manager |
| 15 March 2013 | Oversight report (Preparation of the report) | | MPAC |
| 18 March 2013 | EXCO: Draft IDP/Budget | | MM |
| 29March 2013 | Council Sitting: <ul style="list-style-type: none"> - Adoption of Draft IDP/Budget - Adoption of the Annual Report for 2011/12 and Oversight Committee Report | | Mayor, MM |
| 5 April 2013 | Submission of Draft IDP to DLGH for Analysis | Confirm Provincial and National allocation | MM, CFO,IDP Manager |

| | | | |
|----------------------|---|---|--|
| 19 April 2013 | Publication of the draft IDP/Budget documents for public comments/ inputs | Publication of the draft MTEF Budget for 2011/12,2012/13 & 2013/14 fy's | MM, CFO,IDP Manager, Communication Officer |
| 23 April-11 May 2013 | Public Participation on Draft IDP/Budget | | MM, Office of the Speaker |
| 14 May 2013 | IDP Steering Committee: Effect changes to Draft IDP/Budget as per public comments. Develop IDP process plan for 2011/11 | Amendment of the Draft Budget as per public participation process | MM, CFO, IDP Manager |
| 15 May 2013 | Managers Forum: final Draft IDP/Budget | | MM |
| 18 May 2013 | IDP Representative Forum: Consider final Draft IDP/Budget, Draft IDP process plan for 2011/12 | | MM, IDP Manager |
| 21 May 2013 | EXCO: Final Draft IDP/Budget, Process Plan | | MM |
| 30 May 2013 | Council sitting: Adoption IDP/Budget for 2011-2014, adopt IDP process plan for 2011/12 | Adoption of the Budget for 2011-14 | Mayor, MM |
| 14 June 2013 | Submission of IDP to the MEC for Local Government and Housing | Submission of the Approved IDP & Budget to Provincial and National Treasury | MM,CFO |
| 20 June 2013 | IDP Summary & Notice for approved IDP/Budget | | MM,CFO |
| 28 June 2013 | Adoption of the SDBIP | Adoption of the SDBIP | Mayor |
| 29 June 2013 | Signing of Performance Contracts by S57 Managers | | Mayor, MM |

MONITORING AND EVALUATION OF THE PROCESS PLAN

Maruleng Local Municipality will be responsible for monitoring its own IDP/Budget Process Plan and ensure that is being followed as approved. The municipal IDP office must check and report compliance to intergovernmental structures and the District municipality for support interventions. This process will also be linked to the SDBIP reporting cycle as adopted by the Ma

2.2. MONITORING AND EVALUATION OF THE PROCESS PLAN

Maruleng Local Municipality will be responsible for monitoring its own IDP/Budget Process Plan and ensure that is being followed as approved. The municipal IDP office must check and report compliance to intergovernmental structures and the District municipality for support interventions. This process will also be linked to the SDBIP reporting cycle as adopted by the Mayor.

The 2013/14 MTREF has therefore been directly informed by the IDP revision process and the following tables provide a reconciliation between the IDP strategic objectives and operating revenue, operating expenditure and capital expenditure

Table 21 Reconciliation of IDP strategic objectives and budget (revenue)

| Strategic Objective | Goal | 2009/10 | 2010/11 | 2011/12 | Current Year 2012/13 | | | 2013/14 Medium Term Revenue & Expenditure Framework | | |
|---|--|-----------------|-----------------|-----------------|----------------------|-----------------|--------------------|---|------------------------|------------------------|
| | | Audited Outcome | Audited Outcome | Audited Outcome | Original Budget | Adjusted Budget | Full Year Forecast | Budget Year 2013/14 | Budget Year +1 2014/15 | Budget Year +2 2015/16 |
| Municipal Transformation and organisational development | Create and informed community and Develop and retain skilled and capacitated workforce | 26 412 357 | 50 998 085 | 47 176 000 | 53 513 000 | 53 663 000 | 53 663 000 | 60 899 650 | 72 065 375 | 93 038 478 |
| Basic Service delivery | Improve community wellbeing and resource manage infrastructure and service for access and mobility | 4 623 818 | 2 391 318 | 42 882 402 | 44 381 723 | 44 382 000 | 44 382 000 | 43 579 608 | 40 986 306 | 43 009 857 |
| LED | Grow the economy and halve unemployment and develop partnership | 3 581 114 | 4 335 470 | 1 574 538 | 6 173 466 | 6 839 000 | 6 839 000 | 1 157 650 | 165 375 | 173 478 |
| Municipal Financial Viability and Management | Become financially viable | 10 749 928 | 4 133 027 | 6 430 914 | 25 384 861 | 16 570 803 | 16 570 803 | 15 671 525 | 8 520 796 | 3 365 409 |
| Good Governance and Public Participation | Effective and efficient organisation | 25 883 567 | 14 985 753 | 3 845 046 | 7 659 105 | 9 237 809 | 9 237 809 | 9 708 937 | 10 184 675 | 10 683 724 |
| Total Revenue (excluding capital transfers and contributions) | | 71 250 784 | 76 843 653 | 101 908 900 | 137 112 155 | 130 692 612 | 130 692 612 | 131 017 370 | 131 922 527 | 150 270 946 |

Table 22: Reconciliation between the IDP strategic objectives and budgeted operating expenditure

| Strategic Objective | Goal | 2009/10 | 2010/11 | 2011/12 | Current Year 2012/13 | | | 2013/14 Medium Term Revenue & Expenditure Framework | | |
|---|--|-----------------|-----------------|-----------------|----------------------|-----------------|--------------------|---|------------------------|------------------------|
| | | Audited Outcome | Audited Outcome | Audited Outcome | Original Budget | Adjusted Budget | Full Year Forecast | Budget Year 2013/14 | Budget Year +1 2014/15 | Budget Year +2 2015/16 |
| Municipal Transformation and organisational development | Create,inform community and Develop retain skilled capacitated workforce | 21 044 581 | 18 408 791 | 34 966 532 | 49 677 016 | 42 677 016 | 42 677 016 | 49 920 453 | 50 917 442 | 51 555 231 |
| Basic Service delivery | Improve community wellbeing and resource manage infrastructure and service for access and mobility | 392 348 | 4 781 476 | 1 137 301 | 1 545 000 | 1 845 000 | 1 845 000 | 2 017 485 | 2 119 872 | 2 223 745 |
| LED | Grow the economy and halve unemployment and develop partnership | 3 581 114 | 2 945 968 | 1 885 458 | 1 700 000 | 850 000 | 850 000 | 1 000 000 | 1 049 000 | 1 100 401 |
| Municipal Financial Vialibility and Management | Become financially viable | 14 981 398 | 30 031 396 | 38 558 036 | 27 850 527 | 28 925 611 | 28 925 611 | 31 003 492 | 39 477 098 | 44 118 881 |
| Good Governance and Public Participation | Effective and efficient organisation | 5 367 776 | 4 576 778 | 4 091 725 | 6 608 444 | 6 158 444 | 6 158 444 | 6 556 192 | 6 877 445 | 7 214 440 |
| Total Expenditure | | 45 367 217 | 60 744 408 | 80 639 053 | 87 380 987 | 80 456 071 | 80 456 071 | 90 497 622 | 100 440 857 | 106 212 698 |

Table 23 Reconciliation between the IDP strategic objectives and budgeted capital expenditure

| Strategic Objective | Goal | 2009/10 | 2010/11 | 2011/12 | Current Year 2012/13 | | | 2013/14 Medium Term Revenue & Expenditure Framework | | |
|---|--|-----------------|-----------------|-----------------|----------------------|-----------------|--------------------|---|------------------------|------------------------|
| | | Audited Outcome | Audited Outcome | Audited Outcome | Original Budget | Adjusted Budget | Full Year Forecast | Budget Year 2013/14 | Budget Year +1 2014/15 | Budget Year +2 2015/16 |
| Municipal Transformation and organisational development | Create and informed community and Develop and retain skilled and capacitated workforce | 317 021 | 641 459 | 529 507 | 7 295 000 | 7 065 000 | 7 065 000 | 6 085 000 | 700 000 | 1 845 060 |
| Basic Service delivery | Improve community wellbeing and resource manage infrastructure and service for access and mobility | 20 759 226 | 13 024 102 | 25 866 396 | 37 584 000 | 37 795 985 | 37 795 985 | 28 677 000 | 25 302 000 | 27 254 000 |
| LED | Grow the economy and halve unemployment and develop partnership | | | 1 325 000 | 800 000 | 800 000 | 800 000 | 850 000 | | |
| Municipal Financial Viability and Management | Become financially viable | 2 508 279 | 1 350 606 | 2 813 652 | 887 162 | 3 661 556 | 3 661 556 | 2 833 000 | 3 139 200 | 3 415 261 |
| Good Governance and Public Participation | Effective and efficient organisation | | | 699 398 | 1 324 000 | 914 000 | 914 000 | 1 297 490 | 571 585 | 744 533 |
| Total Capital Expenditure | | 23 584 525 | 15 016 167 | 31 233 953 | 47 890 162 | 50 236 541 | 50 236 541 | 39 742 490 | 29 712 785 | 33 258 854 |

2.3 Measurable Performance Objectives and Indicators

Performance Management is a system intended to manage and monitor service delivery progress against the identified strategic objectives and priorities. In accordance with legislative requirements and good business practices as informed by the National Framework for Managing Programme Performance Information, the Municipality has developed and implemented a performance management system of which system is constantly refined as the integrated planning process unfolds. The Municipality targets, monitors, assess and reviews organisational performance which in turn is directly linked to individual employee's performance.

At any given time within government, information from multiple years is being considered; plans and budgets for next year; implementation for the current year; and reporting on last year's performance. Although performance information is reported publicly during the last stage, the performance information process begins when policies are being developed, and continues through each of the planning, budgeting, implementation and reporting stages.

Reporting in the monitoring process also involves giving feedback about the progress of the project to the donors, implementers and beneficiaries of the project.

The planning, budgeting and reporting cycle can be graphically illustrated as follows:

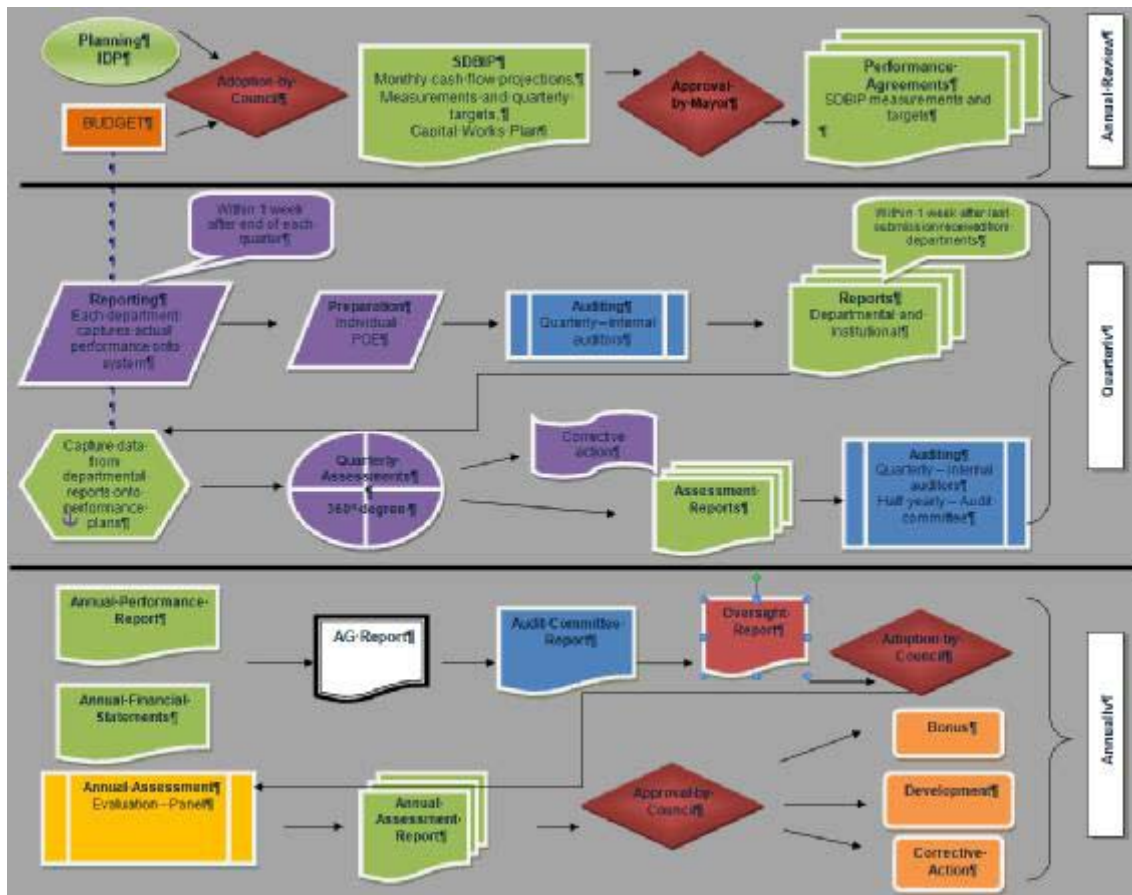


Figure 5 Planning, budgeting and reporting cycle

Monitoring is the regular observation and recording of activities taking place in a project or programme. Relevant data is gathered in an efficient and timely manner and in sufficient quantities to provide meaningful results after which it is processed to identify and categorize factors relevant to specific concerns. In monitoring, data should be analysed and the results displayed so that personnel can take appropriate actions.

Monitoring which involves a process of routinely gathering information on all aspects of the objective, programme or project has been operationalised within the Maruleng Local Municipality by making use of the SDBIP reporting to monitor quarterly progress towards targets as set out. Cascading the SDBIP further down to the departmental/sectional level will help Maruleng Local Municipality to review performance quarterly and be able to take necessary steps to improve performance where performance targets are not met.

Assessment is a process of measuring or quantifying the level of attainment or competence within a specified domain whereby scores are attached to see how well the theme, objective, programmes or projects have been achieved. On the other hand evaluation is determining of value, or the measurement of value added. The municipality needs to determine whether, or not, the programme or project adds value or is contributing to the organisation's strategy.

The performance information concepts used by the Municipality in its integrated performance management system are aligned to the **Framework of Managing Programme Performance Information** issued by the National Treasury:

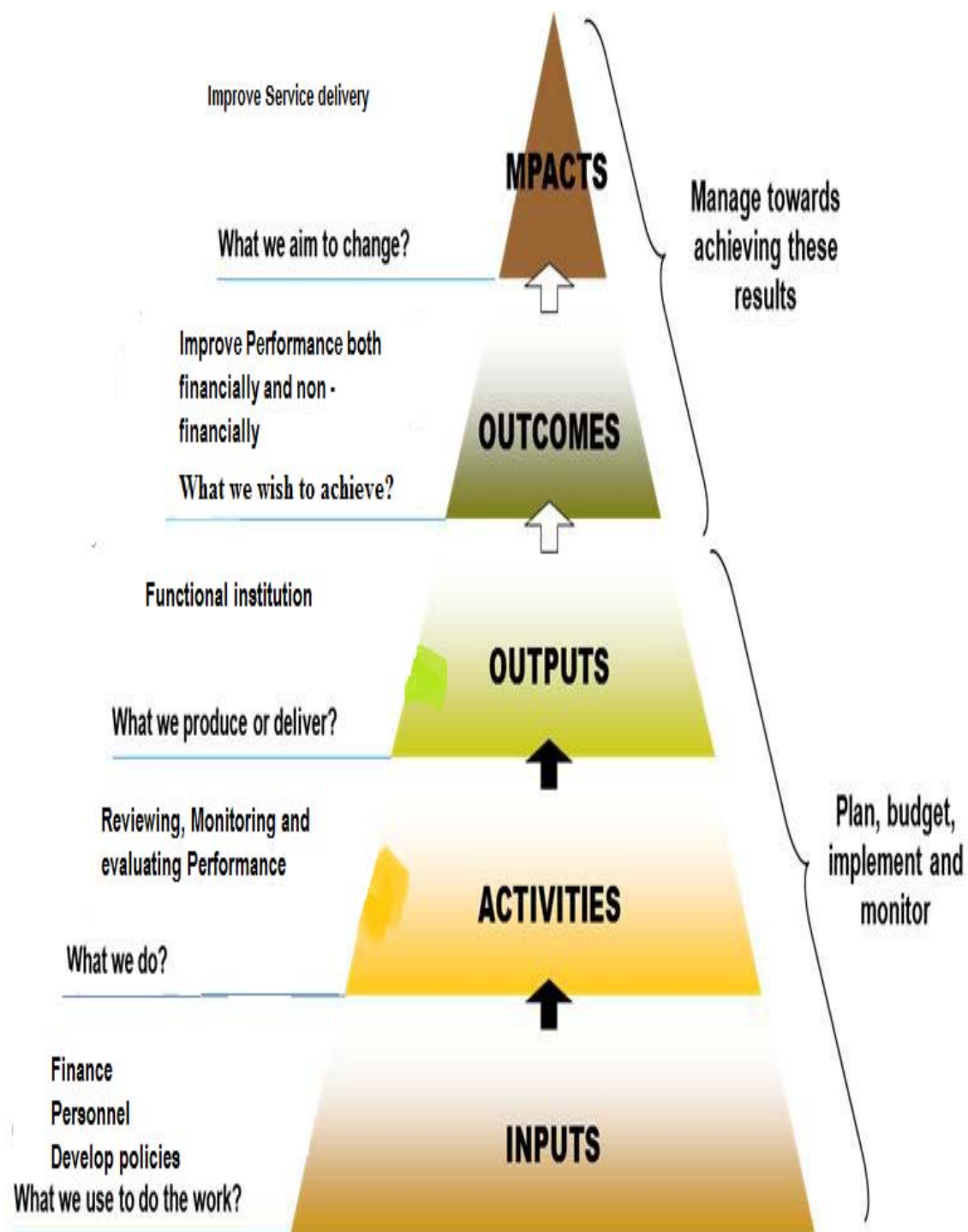


Figure 6 Definition of performance information concepts

The following table provides the main measurable performance objectives the municipality undertakes to achieve this financial year.

Table 24: MBRR Table SA7 Measureable performance objectives

| Description | Unit of measurement | 2009/10 | 2010/11 | 2011/12 | Current Year 2012/13 | | | 2013/14 Medium Term Revenue & Expenditure Framework | | |
|--|---------------------|-----------------|-----------------|-----------------|----------------------|-----------------|--------------------|---|------------------------|------------------------|
| | | Audited Outcome | Audited Outcome | Audited Outcome | Original Budget | Adjusted Budget | Full Year Forecast | Budget Year 2013/14 | Budget Year +1 2014/15 | Budget Year +2 2015/16 |
| Public works: Roads and Stormwater | Kilometer | 1,0% | 5,0% | 4,5% | 2,5% | 2,5% | 2,5% | 3,0% | 4,5% | 5,0% |
| Function - Roads | | | | | | | | | | |
| Sub-function- Eradication of baglogs | | | | | | | | | | |
| <i>Reduce roads backlogs</i> | | | | | | | | | | |
| Sub-function - Roads maintained | | | | | | | | | | |
| surfaced roads resurfaced/ rehabilitation | Kilometer | 0,0% | 0,0% | 0,0% | 2,0% | 2,0% | 2,0% | 2,0% | 1,5% | 1,0% |
| <i>Sub-function - Roads for growth</i> | Kilometer | 1,0% | 5,0% | 4,5% | 2,5% | 2,5% | 2,5% | 3,0% | 4,5% | 5,0% |
| New roads to be constructed | | | | | | | | | | |
| Function - Stormwater | Kilometer | 1,0% | 1,5% | 1,0% | 6,0% | 6,0% | 6,0% | 4,0% | 3,5% | 4,0% |
| <i>Sub-function - Reduction of backlog</i> | | | | | | | | | | |
| stormwater drainage to reduce backlogs | | | | | | | | | | |
| Sub-function - Stormwater for growth | Kilometer | 0,0% | 0,0% | 3,0% | 0,0% | 0,0% | 0,0% | 4,0% | 3,5% | 4,0% |
| Stormwater drainage to stimulate growth | | | | | | | | | | |
| <i>Public Works: water and sanitation</i> | | | | | | | | | | |
| Function - water | | | | | | | | | | |
| Sub-function - Eradication of water backlogs | Number | 0,0% | 0,0% | 0,0% | 0,0% | 0,0% | 0,0% | 0,0% | 0,0% | 0,0% |
| <i>Households provided with a water connection</i> | | | | | | | | | | |
| new bulk water pipeline | Meter | 0,0% | 0,0% | 0,0% | 0,0% | 0,0% | 0,0% | 0,0% | 0,0% | 0,0% |

| | | | | | | | | | | |
|---|--------|-------|-------|-------|--------|--------|--------|--------|--------|--------|
| New Internal water pipelines | Meter | 0,0% | 0,0% | 0,0% | 0,0% | 0,0% | 0,0% | 0,0% | 0,0% | 0,0% |
| <i>Function - Maintance of water infrastructure</i> | | | | | | | | | | |
| upgrade and replace of internal water pipeline | Meter | 0,0% | 0,0% | 0,0% | 0,0% | 0,0% | 0,0% | 0,0% | 0,0% | 0,0% |
| Sub-function- Eradication of sanitation backlogs | | | | | | | | | | |
| household provided with a sanitation connection | Number | 79,9% | 79,9% | 79,9% | 100,0% | 100,0% | 100,0% | 100,0% | 100,0% | 100,0% |
| New bulk sewer pipelines | Meter | | | | | | | | | |
| New internal sewer pipelines | Meter | 15,0% | 15,0% | 15,0% | 0,0% | 0,0% | 0,0% | 0,0% | 0,0% | 0,0% |
| <i>Sub-function- mainatanace of sanitation infrustructure</i> | | | | | | | | | | |

The following table sets out the municipalities main performance objectives and benchmarks for the 2013/14 MTREF.

Table 25: MBRR Table SA8 Performance indicators and benchmarks

| Description of financial indicator | Basis of calculation | 2009/10 | 2010/11 | 2011/12 | Current Year 2012/13 | | | | 2013/14 Medium Term Revenue & Expenditure Framework | | |
|--|--|-----------------|-----------------|-----------------|----------------------|-----------------|--------------------|-------------------|---|------------------------|------------------------|
| | | Audited Outcome | Audited Outcome | Audited Outcome | Original Budget | Adjusted Budget | Full Year Forecast | Pre-audit outcome | Budget Year 2013/14 | Budget Year +1 2014/15 | Budget Year +2 2015/16 |
| <u>Borrowing Management</u> | | | | | | | | | | | |
| Capital Charges to Operating Expenditure | Interest & Principal Paid /Operating Expenditure | 63862,6% | 0,0% | 0,0% | 0,0% | 0,0% | 0,0% | 0,0% | 0,0% | 0,0% | 0,0% |
| Capital Charges to Own Revenue | Finance charges & Repayment of borrowing /Own Revenue | 0,0% | 2278,3% | 2325,1% | -214,8% | -200,6% | -200,6% | 0,0% | -237,1% | -128,2% | -128,2% |
| Borrowed funding of 'own' capital expenditure | Borrowing/Capital expenditure excl. transfers and grants and contributions | 0,0% | 0,0% | 0,0% | 0,0% | 0,0% | 0,0% | 0,0% | 0,0% | 0,0% | 0,0% |
| <u>Safety of Capital Gearing</u> | | | | | | | | | | | |
| Gearing | Long Term Borrowing/ Funds & Reserves | 0,0% | 0,0% | 0,0% | 0,0% | 0,0% | 0,0% | 0,0% | 0,0% | 0,0% | 0,0% |
| <u>Liquidity</u> | | | | | | | | | | | |
| Current Ratio | Current assets/current liabilities | 1,0 | 0,4 | 0,2 | 3,6 | 0,0 | 0,0 | – | 0,1 | 0,1 | 0,1 |
| Current Ratio adjusted for aged debtors | Current assets less debtors > 90 days/current liabilities | 1,0 | 0,4 | 0,2 | 3,6 | 0,0 | 0,0 | – | 0,1 | 0,1 | 0,1 |
| Liquidity Ratio | Monetary Assets/Current Liabilities | 24,0 | 16,2 | 6,7 | 38,3 | 0,4 | 0,4 | – | 2,0 | 1,8 | 2,0 |
| <u>Revenue Management</u> | | | | | | | | | | | |
| Annual Debtors Collection Rate (Payment Level %) | Last 12 Mths Receipts/Last 12 Mths Billing | | 0,0% | 7,8% | 0,0% | 2,4% | 2,3% | 2,3% | 0,0% | 0,0% | 0,0% |
| Current Debtors Collection Rate (Cash receipts % of Ratepayer & Other revenue) | | | 0,0% | 0,0% | 0,0% | 0,0% | 0,0% | 0,0% | 0,0% | 0,0% | 0,0% |
| Outstanding Debtors to Revenue | Total Outstanding Debtors to Annual Revenue | 0,0% | 732,0% | 8916,0% | 432,0% | 2230,0% | 2230,0% | 0,0% | 1137,4% | 0,0% | 0,0% |

| | | | | | | | | | | | |
|--|---|--------|--------|---------|--------|--------|--------|--------|--------|--------|--------|
| Creditors Management | | | | | | | | | | | |
| Creditors System Efficiency | % of Creditors Paid Within Terms (within 'MFMA' s 65(e)) | 100,0% | 100,0% | 100,0% | 100,0% | 100,0% | 100,0% | 100,0% | 100,0% | 100,0% | 100,0% |
| Creditors to Cash and Investments | | 0,0% | 0,0% | 0,0% | 0,0% | 0,0% | 0,0% | 0,0% | 0,0% | 0,0% | 0,0% |
| Other Indicators | | | | | | | | | | | |
| Electricity Distribution Losses (2) | Total Volume Losses (kW) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | Total Cost of Losses (Rand '000) | - | - | - | - | - | - | - | - | - | - |
| Water Distribution Losses (2) | Total Volume Losses (kℓ) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | Total Cost of Losses (Rand '000) | - | - | - | - | - | - | - | - | - | - |
| Employee costs | Employee costs/(Total Revenue - capital revenue) | 0,0% | 0,0% | 0,0% | 0,0% | 0,0% | 0,0% | 0,0% | 0,0% | 0,0% | 0,0% |
| Remuneration | Total remuneration/(Total Revenue - capital revenue) | 0,0% | 0,0% | 0,0% | 0,0% | 0,0% | 0,0% | | 0,0% | 0,0% | 0,0% |
| Repairs & Maintenance | R&M/(Total Revenue excluding capital revenue) | 0,0% | 122,4% | 2325,1% | 153,8% | 366,7% | 366,7% | | 279,1% | 0,0% | 0,0% |
| Finance charges & Depreciation | FC&D/(Total Revenue - capital revenue) | 0,0% | 211,5% | 3337,7% | 251,7% | 600,0% | 600,0% | 0,0% | 456,7% | 0,0% | 0,0% |
| IDP regulation financial viability indicators | | | | | | | | | | | |
| i. Debt coverage | (Total Operating Revenue - Operating Grants)/Debt service payments due within financial year) | - | 0,0 | 0,0 | (0,1) | (0,1) | (0,1) | - | (0,1) | (0,2) | (0,2) |
| ii.O/S Service Debtors to Revenue | Total outstanding service debtors/annual revenue received for services | 177,8% | 242,6% | 250,7% | 108,7% | 235,4% | 235,4% | 0,0% | 158,0% | 394,8% | 321,3% |

2.3.1 Performance indicators and benchmarks

2.3.1.1 Borrowing Management

- Capital expenditure in local government can be funded by capital grants, own-source revenue and long term borrowing. The ability of a municipality to raise long term borrowing is largely dependent on its creditworthiness and financial position. Maruleng Municipality does not have long term borrowing.

2.3.1.2 Safety of Capital

- *The debt-to-equity ratio* is a financial ratio indicating the relative proportion of equity and debt used in financing the municipality's assets. The indicator is based on the total of loans, creditors and overdraft and tax provisions as a percentage of funds and reserves. The debt to equity ratio for the Municipality is 0%

2.3.1.3 Liquidity

- *Current ratio* is a measure of the current assets divided by the current liabilities and as a benchmark the Municipality has set a limit of 2, hence at no point in time should this ratio be less than 2. For the 2013/14 MTREF the current ratio is 0.1 and 0.1 for the two outer years of the MTREF.
- *The liquidity ratio* is a measure of the ability of the municipality to utilize cash and cash equivalents to extinguish or retire its current liabilities immediately. Ideally the municipality should have the equivalent cash and cash equivalents on hand to meet at least the current liabilities, which should translate into a liquidity ratio of 1. Anything below 1 indicates a shortage in cash to meet creditor obligations. For the 2013/14 financial year the ratio is 2:1 and 1:8 in the 2014/15 financial year. This shows that the municipality will be able to funds their projects and operating expenditure without borrowings.

2.3.1.4 Revenue Management

- As part of the financial sustainability strategy, an aggressive data cleansing and debt management strategy needs to been implemented to increase cash inflow, not only from current billings but also from debtors that are in arrears in excess of 90 days. The intention of the strategy is to streamline the revenue value chain by ensuring accurate billing, customer service, and credit control and debt collection.

2.3.1.5 Creditors Management

- The Municipality has managed to ensure that creditors are settled within the legislated 30 days of invoice. While the liquidity ratio is of concern, by applying daily cash flow management the municipality has managed to ensure a 100 per cent compliance rate to this legislative obligation. This has had a favorable impact on supplier's perceptions of risk of doing business with the Municipality, which is expected to benefit the Municipality in the form of more competitive pricing of tenders, as suppliers compete for the Municipality's business.

2.3.1.6 Other Indicators

- The Municipality does not distribute electricity to the public the function is carried out by Eskom. Employee costs as a percentage of operating revenue continues to increase over the MTREF. This is primarily due to the increase in vacancy rate and budget for salary disparity.
-

2.3.2 Free Basic Services: basic social services package for indigent households

The social package assists residents that have difficulty paying for services and are registered as indigent households in terms of the Indigent Policy of the Municipality. With the exception of water, only registered indigents qualify for the free basic services.

For the 2013/14 financial year 4 145 registered indigents have been provided for in the budget , In terms of the Municipality's indigent policy registered households are entitled to 6kℓ fee water, 6 kℓ sanitation and as well as a discount on their property rates.

Further detail relating to the number of households receiving free basic services, the cost of free basic services, highest level of free basic services as well as the revenue cost associated with the free basic services is contained in MBRR A10 (Basic Service Delivery Measurement

Note that the number of households in informal areas that receive free services and the cost of these services (e.g. the provision of water through stand pipes, water tankers, etc) are not taken into account in the table noted above.

2.3.3 Providing clean water and managing waste water

The Municipality is not the Water Services Authority for the municipality in terms of the Water Services Act, 1997 but only acts as water services provider. Approximately 100 per cent of the Municipality's bulk water needs are provided by Department of Public Work in the form of purified water.

2.4 Overview of budget related-policies

The Municipality's budgeting process is guided and governed by relevant legislation, frameworks, strategies and related policies.

2.4.1 Review of credit control and debt collection procedures/policies

- The Reviewed Collection Policy was applied by Council and still need to be adopted in May 2013, the policy is credible, sustainable, manageable and informed by affordability and value for money there has been a need to review certain components to achieve a higher collection rate. Some of the revisions included the lowering of the credit periods for the down payment of debt. In addition emphasis will be placed on speeding up the indigent registration process to ensure that credit control and debt collection efforts are not fruitlessly wasted on these debtors.
- The 2013/14 MTREF has been prepared on the basis of achieving an average debtors' collection rate on current billings. In addition the collection of debt in excess of 90 days has been prioritized as a relevant strategy in increasing the Municipality's cash levels. In addition,

2.4.2 Inventory and Asset Management Policy

- A proxy for asset consumption can be considered the level of depreciation each asset incurs on an annual basis. Preserving the investment in existing infrastructure needs to be considered a significant strategy in ensuring the future sustainability of infrastructure and the Municipality's revenue base.

2.4.3 Budget and Virement Policy

- The adjustments budget process is governed by various provisions in the MFMA and is aimed at instilling and establishing an increased level of discipline, responsibility and accountability in the financial management practices of municipalities. To ensure that the Municipality continues to deliver on its core mandate and achieves its developmental goals, the mid-year review and adjustment budget process will be

utilised to ensure that underperforming functions are identified and funds redirected to performing functions.

2.4.4 Supply Chain Management Policy

- The Supply Chain Management Policy was reviewed and still need to be adopted by Council . An amended policy will be considered by Council in due course of which the amendments will be extensively consulted on.

2.4.5 Cash Management and Investment Policy

- The Municipality's Cash Management and Investment Policy were reviewed by Council but still need to be adopted. The aim of the policy is to ensure that the Municipality's surplus cash and investments are adequately managed, especially the funds set aside for the cash backing of certain reserves. The policy details the minimum cash and a cash equivalent required at any point in time and introduces time frames to achieve certain benchmarks.

2.4.6 Tariff Policies

- The Municipality's tariff policies provide a broad framework within which the Council can determine fair, transparent and affordable charges that also promote sustainable service delivery. The policies envisaged to be compiled for ease of administration and implementation of the next two years.

2.4.7 Indigent Policies

- In terms of the Municipality's Indigent policy, Households with a total monthly gross income of R1 500,00 or less qualifies to a subsidy on property rates and services charges for sewerage and refuse removal and will additionally receive 6 kl of water per month free of charge.

2.5. Overview of budget assumptions

2.5.1 External factors

- Owing to the economic slowdown, financial resources are limited due to reduced payment levels by consumers. This has resulted in declining cash inflows, which has necessitated restrained expenditure to ensure that cash outflows remain within the affordability parameters of the Municipality's finances.

2.5.2 General inflation outlook and its impact on the municipal activities

There are five key factors that have been taken into consideration in the compilation of the 2013/14 MTREF:

- National Government macro economic targets;
- The general inflationary outlook and the impact on Municipality's residents and businesses;
- The impact of municipal cost drivers;
- The increase in prices for bulk electricity and water; and The increase in the cost of remuneration. Employee related costs comprise 39.3 per cent of total operating expenditure in the 2013/14 MTREF and therefore this increase above inflation places a disproportionate upward pressure on the expenditure budget.

- The wage agreement SALGBC concluded by municipal unions. Municipalities must take into account the multi-year Salary and Wage Collective Agreement for the period 1 July 2012 to 30 June 2015. The agreement provides for a wage increase based on the average CPI for the period 1 February 2012 until 31 January 2013, plus 1.25 per cent for the 2013/14 financial year.

2.5.3 Credit rating outlook

Table 26: Credit rating outlook

| Security class | Currency | Rating | Previous Rating |
|----------------|----------|----------|-----------------|
| Short term | Rand | Prime -1 | Prime -1 |
| Long term | Rand | Aa3 | Aa3 |
| Outlook | Rand | Negative | Negative |

The rating definitions are:

- Short term : Prime – 1
- Short-Term Debt Ratings (maturities of less than one year)
- Prime-1 (highest quality)
- Long-term : Aa3
- Defined as high-grade. “Aa” rated are judged to be of high quality and are subject to very low credit risk.

2.5.4 Interest rates for borrowing and investment of funds

- The MFMA specifies that borrowing can only be utilized to fund capital or refinancing of borrowing in certain conditions. The Municipality does not have long term loans.

2.5.5 Collection rate for revenue services

- The base assumption is that tariff and rating increases will increase at a rate slightly higher than CPI over the long term. It is also assumed that current economic conditions, and relatively controlled inflationary conditions, will continue for the forecasted term.
- The rate of revenue collection is currently expressed as a percentage of annual billings. Cash flow is assumed to be 24 per cent of billings, plus an increased collection of arrear debt from the revised collection and credit control policy. The performance of arrear collections will however only be considered a source of additional cash in-flow once the performance has been carefully monitored. The municipality is depending more on grants.

2.5.6 Growth or decline in tax base of the municipality

- Debtor’s revenue is assumed to increase at a rate that is influenced by the consumer debtor’s collection rate, tariff/rate pricing, real growth rate of the Municipality, household formation growth rate and the poor household change rate.

- Household formation is the key factor in measuring municipal revenue and expenditure growth, as servicing “households” is a greater municipal service factor than servicing individuals. Household formation rates are assumed to convert to household dwellings. In addition the change in the number of poor households influences the net revenue benefit derived from household formation growth, as it assumes that the same costs incurred for servicing the household exist, but that no consumer revenue is derived as the “poor household limits consumption to the level of free basic service

2.5.7 Salary increases

- The collective agreement regarding salaries/wages came into operation on 1 July 2012 and shall remain in force until 30 June 2015. The municipality has make use of 6.85% for 2013/14 and 6.4% for 2014/15 and 2015/16 until the new agreement for three years(2015 to 2018 FY) has revised

2.5.8 Impact of national, provincial and local policies

- Integration of service delivery between national, provincial and local government is critical to ensure focused service delivery and in this regard various measures were implemented to align IDPs, provincial and national strategies around priority spatial interventions. In this regard, the following national priorities form the basis of all integration initiatives:
 - Creating jobs;
 - Enhancing education and skill development;
 - Improving Health services;
 - Rural development and agriculture; and
 - Fighting crime and corruption.
- To achieve these priorities integration mechanisms are in place to ensure integrated planning and execution of various development programs. The focus will be to strengthen the link between policy priorities and expenditure thereby ensuring the achievement of the national, provincial and local objectives.

2.5.9 Ability of the municipality to spend and deliver on the programmes

- It is estimated that a spending rate of at least 98 per cent is achieved on operating expenditure and 100 per cent on the capital programme for the 2012/13 MTREF of which performance has been factored into the cash flow budget.

2.6 Overview of budget funding

2.6.1 Medium-term outlook: operating revenue

The following table is a breakdown of the operating revenue over the medium-term:

TABLE 27- Table A4 Budgeted Financial Performance (revenue and expenditure)

| Description | 2013/14 Medium Term Revenue & Expenditure Framework | | | | | |
|--|---|-------------|---------------------------|-------------|---------------------------|-------------|
| | Budget Year 2013/14 | % | Budget Year +1 2014/15 | % | Budget Year +2 2015/16 | % |
| Revenue By Source | | | | | | |
| Property rates | 12 612 000 | 12% | 13 229 988 | 12% | 13 878 257 | 11% |
| Service charges - refuse revenue | 2 320 608 | 2% | 2 434 318 | 2% | 2 553 599 | 2% |
| Rental of facilities and equipment | 311 727 | 0% | 327 001 | 0% | 343 024 | 0% |
| Interest earned - external investments | 840 800 | 1% | 881 999 | 1% | 925 217 | 1% |
| Interest earned - outstanding debtors | 112 877 | 0% | 118 408 | 0% | 124 210 | 0% |
| Fines | 210 200 | 0% | 220 500 | 0% | 231 304 | 0% |
| Agency services | 4 517 512 | 4% | 4 739 321 | 4% | 4 972 143 | 4% |
| Transfers recognised - operational | 67 252 000 | 66% | 74 634 000 | 70% | 95 782 000 | 77% |
| Other revenue | 12 117 647 | 12% | 10 014 991 | 9% | 4 883 191 | 4% |
| Gains on disposal of PPE | 2 075 000 | 2% | | 0% | | 0% |
| Total Revenue (excluding capital transfers and contributions) | 102 370 370 | 100% | 106 600 527 | 100% | 123 692 946 | 100% |

Table 28-The following graph is a breakdown of the operational revenue per main category for the 2012/13 financial year.

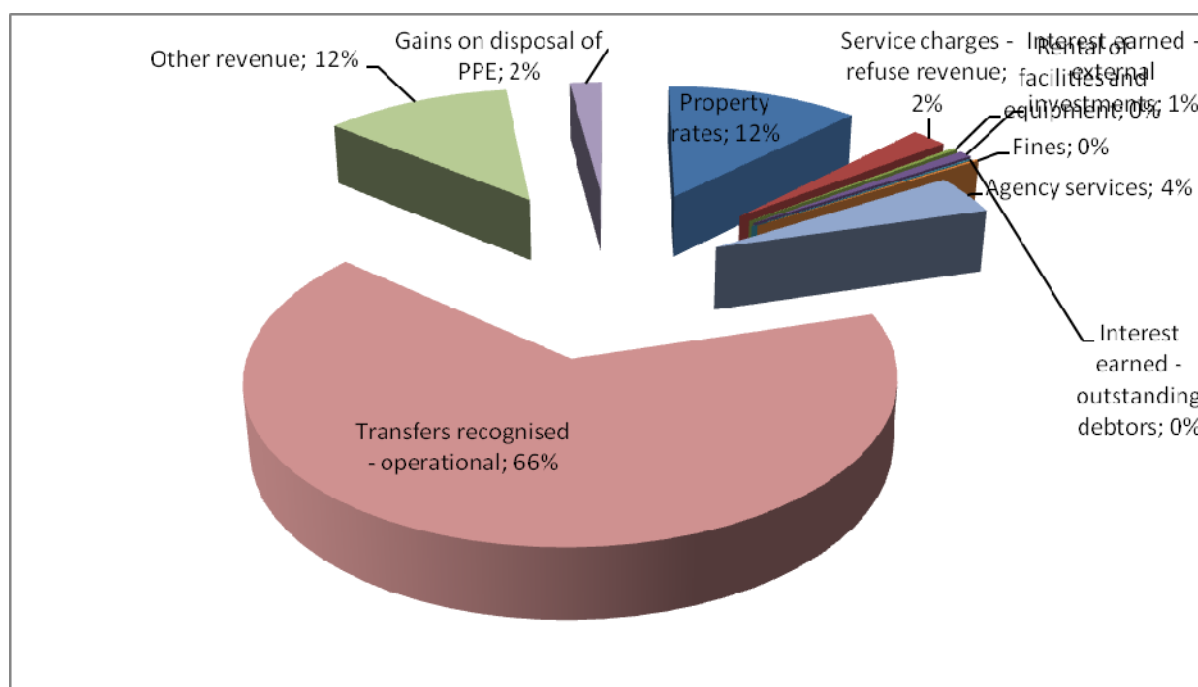


Figure 7 Breakdown of operating revenue over the 2013/14 MTREF

Tariff setting plays a major role in ensuring desired levels of revenue. Getting tariffs right assists in the compilation of a credible and funded budget. The Municipality derives most of its operational revenue from the provision of goods and services such as sanitation and solid waste removal. Property rates, operating and capital grants from organs of state and other minor charges (such as building plan fees, licenses and permits etc).

The revenue strategy is a function of key components such as:

- Growth in the Municipality and economic development;
- Revenue management and enhancement;
- Achievement of annual collection rate for consumer revenue;
- National Treasury guidelines;
- Achievement of full cost recovery of specific user charges;
- Determining tariff escalation rate by establishing/calculating revenue requirements;
- The Property Rates Policy in terms of the Municipal Property Rates Act, 2004 (Act 6 of 2004) (MPRA),
- And the ability to extend new services and obtain cost recovery levels. The above principles guide the annual increase in the tariffs charged to the consumers and the ratepayers aligned to the economic forecasts.

The proposed tariff increases for the 2013/14 MTREF on the different revenue categories are:

Table 29- Proposed tariff increases over the medium-term

| Revenue category | 2013/14 proposed tariff increase | 2014/15 proposed tariff increase | 2015/16 proposed tariff increase | 2013/14 Total Budgeted revenue |
|------------------|----------------------------------|----------------------------------|----------------------------------|--------------------------------|
| | % | % | % | % |
| Property rates | | | | 12,612,000 |
| Solid waste | 5.6 | 5.4 | 5.4 | 2,320,608 |
| Total | | | | 14,932,608 |

Revenue to be generated from property rates is R12.6 million in the 2013/14 financial year and increases to R13.8 million by 2015/16 which represents 11 per cent of the operating revenue base of the Municipality. It remains relatively constant over the medium-term. With the implementation of the Municipal Property Rates Act the basis of rating significantly changed.

As the levying of property rates is considered strategic revenue source supplementary valuation process are conducted twice in a year, during December and June of every financial year.

Services charges relating to refuse removal constitutes the second smallest component of the revenue basket of the Municipality totaling R2.3 million for the 2013/14 financial year and increasing to R2.5 million by 2015/16. For the 2013/14 financial year services charges amount to 2.3 per cent of the total revenue base and grows by 1 per cent per annum over the medium-term.

Operational grants and subsidies amount to R67.2 million, R74.6 million and R95.7 million for each of the respective financial years of the MTREF, or 66, 70 and 77 per cent of operating revenue. It needs to be noted that in real terms the grants receipts from national government are growing rapidly over the MTREF by 4 per cent and 7 percent for the two outer years.

Rental of facilities and equipment contributes marginally to the revenue base of the Municipality with a budget allocation of R311,727, R327,011 and R343,024 for the respective three financial years of the 2013/14 MTREF. It needs to be noted that these allocations have been conservatively estimated and as part of the cash backing of reserves and provisions. The actual performance against budget will be carefully monitored. Any variances in this regard will be addressed as part of the mid-year review and adjustments budget.

The tables below provide detail investment information and investment particulars by maturity.

Table 30- MBRR – Detail Investment Information

| Investment type | 2009/10 | 2010/11 | 2011/12 | Current Year 2012/13 | | | 2013/14 Medium Term Revenue & Expenditure Framework | | |
|----------------------------|-----------------|-----------------|-----------------|----------------------|-----------------|--------------------|---|------------------------|------------------------|
| | Audited Outcome | Audited Outcome | Audited Outcome | Original Budget | Adjusted Budget | Full Year Forecast | Budget Year 2013/14 | Budget Year +1 2014/15 | Budget Year +2 2015/16 |
| <u>Parent municipality</u> | | | | | | | | | |
| Deposits - Bank | 1 831 608 | 14 166 776 | 14 919 796 | 7 000 000 | 15 000 000 | 15 000 000 | 6 000 000 | 45 000 000 | 40 000 000 |
| Municipality sub-total | 1 831 608 | 14 166 776 | 14 919 796 | 7 000 000 | 15 000 000 | 15 000 000 | 6 000 000 | 45 000 000 | 40 000 000 |

Table 31- MBRR – Investment particulars by maturity

| Investments by Maturity | Period of Investment | Type of Investment | Capital Guarantee (Yes/ No) | Variable or Fixed interest rate | Interest Rate 3. | Commission Recipient | Expiry date of investment | Monetary value | Interest to be realised |
|---------------------------------------|----------------------|--------------------|-----------------------------|---------------------------------|------------------|----------------------|---------------------------|------------------|-------------------------|
| Name of institution & investment ID | Yrs/Months | | | | | | | | |
| <u>Parent municipality</u> | | | | | | | | | |
| Standard bank investment | Months | call deposit | no | variable | 4,25 | 830000 | 32 days | 1 200 000 | 840 800 |
| Investec investmnet | Months | call deposit | no | variable | 5,4 | 700000 | day to day | 4 800 000 | 112 877 |
| TOTAL INVESTMENTS AND INTEREST | | | | | | | | 6 000 000 | 953 677 |

For the medium-term, the funding strategy has been informed directly by ensuring financial sustainability and continuity.

2.6.2 Medium-term outlook: capital revenue

The following table is a breakdown of the funding composition of the 2013/14 medium-term capital programme:

Table 32- Sources of capital revenue over the MTREF

| Vote Description | 2013/14 Medium Term Revenue & Expenditure Framework | | | | | |
|------------------------------|---|-------------|------------------------|-------------|------------------------|-------------|
| | Budget Year 2013/14 | % | Budget Year +1 2014/15 | % | Budget Year +2 2015/16 | % |
| <u>Funded by:</u> | | | | | | |
| National Government | 30 927 000 | 78% | 24 552 000 | 83% | 25 754 000 | 77% |
| Internally generated funds | 8 815 490 | 22% | 5 160 785 | 17% | 7 504 854 | 23% |
| Total Capital Funding | 39 742 490 | 100% | 29 712 785 | 100% | 33 258 854 | 100% |

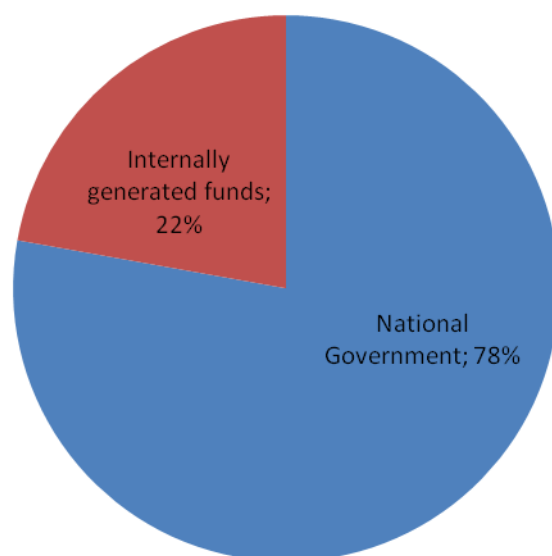


Figure 8 Sources of capital revenue for the 2013/14 financial year

Capital grants and receipts equates to 78 per cent of the total funding source which represents R39.7 million for the 2013/14 financial year and steadily decreased to R29.7 million or 83 per cent by 2014/15. Growth relating to internally generated funds receipts is 22, 17 and 23 per cent over the medium-term.

Table 33-MBRR Capital transfers and grant receipts

| | 2009/10 | 2010/11 | 2011/12 | Current Year 2012/13 | | | 2013/14 Medium Term Revenue & Expenditure Framework | | |
|---|-----------------|-----------------|-----------------|----------------------|-----------------|--------------------|---|------------------------|------------------------|
| Description | Audited Outcome | Audited Outcome | Audited Outcome | Original Budget | Adjusted Budget | Full Year Forecast | Budget Year 2013/14 | Budget Year +1 2014/15 | Budget Year +2 2015/16 |
| National Government: Municipal Infrastructure Grant (MIG) | 18 545 000 | 14 985 753 | 30 279 670 | 30 174 000 | 30 174 000 | 30 174 000 | 28 647 000 | 25 322 000 | 26 578 000 |
| | 18 545 000 | 14 985 753 | 30 279 670 | 30 174 000 | 30 174 000 | 30 174 000 | 28 647 000 | 25 322 000 | 26 578 000 |
| Total Capital Transfers and Grants | 18 545 000 | 14 985 753 | 30 279 670 | 30 174 000 | 30 174 000 | 30 174 000 | 28 647 000 | 25 322 000 | 26 578 000 |
| TOTAL RECEIPTS OF TRANSFERS & GRANTS | 59 101 244 | 56 585 013 | 83 263 913 | 91 987 000 | 95 053 862 | 95 053 862 | 95 899 000 | 99 956 000 | 122 360 000 |

2.6.3 Cash Flow Management

Cash flow management and forecasting is a critical step in determining if the budget is funded over the medium-term. The table below is consistent with international standards of good financial management practice and also improves understandability for councilors and management. Some specific features include:

- Clear separation of receipts and payments within each cash flow category;
- Clear separation of capital and operating receipts from government, which also enables cash from "Ratepayers and other to be provided for as cash inflow based on actual performance. In other words the *actual collection rate* of billed revenue,

Table 34- MBRR - Table A7 Budgeted Cash Flows

| Description | 2009/10 | 2010/11 | 2011/12 | Current Year 2012/13 | | | 2013/14 Medium Term Revenue & Expenditure Framework | | |
|---|-----------------|-----------------|-----------------|----------------------|-----------------|--------------------|---|------------------------|------------------------|
| | Audited Outcome | Audited Outcome | Audited Outcome | Original Budget | Adjusted Budget | Full Year Forecast | Budget Year 2013/14 | Budget Year +1 2014/15 | Budget Year +2 2015/16 |
| CASH FLOW FROM OPERATING ACTIVITIES | | | | | | | | | |
| Receipts | | | | | | | | | |
| Ratepayers and other | 24 210 789 | 12 811 729 | 14 592 447 | 39 910 032 | 33 927 455 | 33 927 455 | 31 584 693 | 25 966 120 | 26 361 519 |
| Government - operating | 35 103 519 | 41 599 260 | 47 096 000 | 56 813 000 | 64 983 757 | 64 983 757 | 67 252 000 | 74 634 000 | 95 782 000 |
| Government - capital | 16 368 974 | 14 985 753 | 24 874 000 | 28 174 000 | 30 174 000 | 30 174 000 | 28 647 000 | 25 322 000 | 26 578 000 |
| Interest | 159 067 | 569 233 | 969 596 | 857 400 | 907 400 | 907 400 | 953 677 | 1 000 408 | 1 049 428 |
| Payments | | | | | | | | | |
| Suppliers and employees | -39 467 110 | -47 408 131 | -66 367 597 | -77 915 461 | -70 686 071 | -70 686 071 | -80 946 912 | -90 422 162 | -95 703 087 |
| Finance charges | -72 055 | 536 520 | -41 229 | | | | -73 710 | -77 322 | -81 111 |
| NET CASH FROM/(USED) OPERATING ACTIVITIES | 36 303 184 | 23 094 364 | 21 123 217 | 47 838 972 | 59 306 541 | 59 306 541 | 47 416 749 | 36 423 043 | 53 986 748 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | | | | | | |
| Receipts | | | | | | | | | |
| Proceeds on disposal of PPE | | 4 180 000 | | | - | - | | | |

| | | | | | | | | | |
|--|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Decrease (Increase) in non-current debtors | | | | 1 850 000 | 1 850 000 | 1 850 000 | | | |
| Decrease (increase) in non-current investments | | | | 1 532 270 | 1 532 270 | 1 532 270 | | | |
| Payments | | | | | | | | | |
| Capital assets | -28 834 381 | -15 167 039 | -24 009 503 | -44 665 915 | -50 236 541 | -50 236 541 | -39 742 490 | -29 712 785 | -33 258 854 |
| NET CASH FROM/(USED) INVESTING ACTIVITIES | -28 834 381 | -10 987 039 | -24 009 503 | -41 283 645 | -46 854 271 | -46 854 271 | -39 742 490 | -29 712 785 | -33 258 854 |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | | | | | | | |
| Receipts | | | | | | | | | |
| Borrowing long term/refinancing | 136 666 | 16 092 | | | | | | | |
| NET CASH FROM/(USED) FINANCING ACTIVITIES | 136 666 | 16 092 | - | - | - | - | - | - | - |
| NET INCREASE/ (DECREASE) IN CASH HELD | 7 605 469 | 12 123 417 | -2 886 286 | 6 555 327 | 12 452 270 | 12 452 270 | 7 674 259 | 6 710 258 | 20 727 895 |
| Cash/cash equivalents at the year begin: | 3 007 326 | 10 612 795 | 22 736 212 | 11 600 000 | 8 184 000 | 8 184 000 | 3 000 000 | 10 674 259 | 17 384 517 |
| Cash/cash equivalents at the year end: | 10 612 795 | 22 736 212 | 19 849 926 | 18 155 327 | 20 636 270 | 20 636 270 | 10 674 259 | 17 384 517 | 38 112 411 |

- The above table shows that cash and cash equivalents of the Municipality has a positive cash flow movement from 2010/11 to 2015/16 by 10.6 million to 38.1 million. With the 2011/12 adjustments budget various cost efficiencies and savings had to be realized to ensure the Municipality could meet its operational expenditure commitments.
- In addition the Municipality undertook an extensive debt collection process to boost cash levels. These initiatives and interventions have translated into a positive cash position for the Municipality. For the 2013/14 MTREF the budget has been prepared to ensure high levels of cash and cash equivalents over the medium-term with cash levels anticipated to exceed R10.6 million by 2013/14.

2.6.4 Cash Backed Reserves/Accumulated Surplus Reconciliation

This following table meets the requirements of MFMA Circular 42 which deals with the funding of a municipal budget in accordance with sections 18 and 19 of the MFMA. The table seeks to answer three key questions regarding the use and availability of cash:

- What are the predicted cash and investments that are available at the end of the budget year?
- How are those funds used?
- What is the net funds available or funding shortfall?

A surplus would indicate the cash-backed accumulated surplus that was/is available. A shortfall (applications > cash and investments) is indicative of non-compliance with section 18 of the MFMA requirement that the municipality's budget must be "funded. Non-compliance with section 18 is assumed because a shortfall would indirectly indicate that the annual budget is not appropriately funded (budgeted spending is greater than funds available or to be collected). It is also important to analyse trends to understand the consequences, e.g. the budget year might indicate a small surplus situation, which in itself is an appropriate outcome, but if in prior years there were much larger surpluses then this negative trend may be a concern that requires closer examination.

Table 35: cash backed reserve/ accumulated surplus reconciliation

| Description | 2009/10 | 2010/11 | 2011/12 | Current Year 2012/13 | | | | 2013/14 Medium Term Revenue & Expenditure Framework | | |
|--|-----------------|-----------------|-----------------|----------------------|-----------------|--------------------|-------------------|---|------------------------|------------------------|
| | Audited Outcome | Audited Outcome | Audited Outcome | Original Budget | Adjusted Budget | Full Year Forecast | Pre-audit outcome | Budget Year 2013/14 | Budget Year +1 2014/15 | Budget Year +2 2015/16 |
| Cash and investments available | | | | | | | | | | |
| Cash/cash equivalents at the year end | 10 612 795 | 22 736 212 | 19 849 926 | 18 155 327 | 20 636 270 | 20 636 270 | 8 184 000 | 10 674 259 | 17 384 517 | 38 112 411 |
| Other current investments > 90 days | 1 | 1 | - | -8 855 327 | -3 152 270 | -3 152 270 | -8 184 000 | -1 674 259 | 31 115 483 | 6 387 589 |
| Cash and investments available: | 10 612 796 | 22 736 213 | 19 849 926 | 9 300 000 | 17 484 000 | 17 484 000 | - | 9 000 000 | 48 500 000 | 44 500 000 |
| Application of cash and investments | | | | | | | | | | |
| Unspent conditional transfers | 5 648 171 | 9 097 680 | 1 170 756 | 2 000 000 | - | - | - | - | - | - |
| Total Application of cash and investments: | 5 648 171 | 9 097 680 | 1 170 756 | 2 000 000 | - | - | - | - | - | - |
| Surplus(shortfall) | 4 964 625 | 13 638 533 | 18 679 170 | 7 300 000 | 17 484 000 | 17 484 000 | - | 9 000 000 | 48 500 000 | 44 500 000 |

From the above table it can be seen that the cash and investments available total R9 million in the 2013/14 financial year and progressively increase to R44.5 million by 2015/16, including the projected cash and cash equivalents as determined in the cash flow forecast.

The following is a breakdown of the application of this funding:

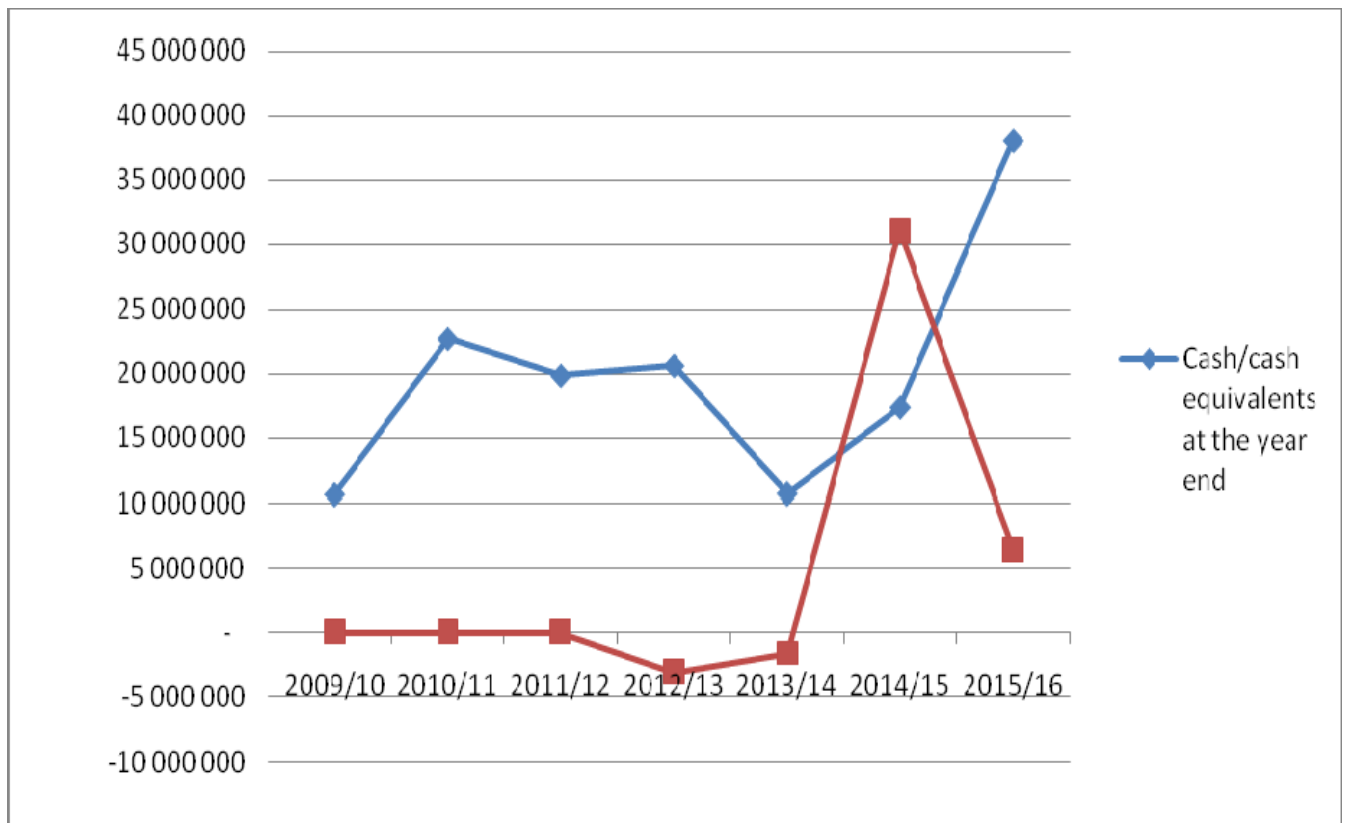
Unspent conditional transfers (grants) are automatically assumed to be an obligation as the municipality has received government transfers in advance of meeting the conditions. Ordinarily, unless there are special circumstances, the municipality is obligated to return unspent conditional grant funds to the national revenue fund at the end of the financial year.

- The main purpose of other working capital is to ensure that sufficient funds are available to meet obligations as they fall due. A key challenge is often the mismatch between the timing of receipts of funds from debtors and payments due to employees and creditors. High levels of debtor non-payment and receipt delays will have a greater requirement for working capital,
- For the purpose of the cash backed reserves and accumulated surplus reconciliation a provision equivalent to one month's operational expenditure has been provided for. It needs to be noted that although this can be considered prudent, the desired cash levels should be 60 days to ensure continued liquidity of the municipality. Any underperformance in relation to collections could place upward pressure on the ability of the Municipality to meet its creditor obligations.

Most reserve fund cash-backing is discretionary in nature, but the reserve funds are not available to support a budget unless they are cash-backed. The reserve funds are not fully cash-backed. The level of cash-backing is directly informed by the municipality's cash backing policy. These include the rehabilitation of landfill sites and quarries.

It can be concluded that the Municipality has a surplus against the cash backed and accumulated surpluses reconciliation.

The following graph supplies an analysis of the trends relating cash and cash equivalents and the cash backed reserves/accumulated funds reconciliation over a seven year perspective



2.6.5 Funding compliance measurement

National Treasury requires that the municipality assess its financial sustainability against fourteen different measures that look at various aspects of the financial health of the municipality. These measures are contained in the following table. All the information comes directly from the annual budgeted statements of financial performance, financial position and cash flows. The funding compliance measurement table essentially measures the degree to which the proposed budget complies with the funding requirements of the MFMA. Each of the measures is discussed below.

Table 36: Funding compliance measurement

| Description | MFMA section | Ref | 2009/10 | 2010/11 | 2011/12 | Current Year 2012/13 | | | | 2013/14 Medium Term Revenue & Expenditure Framework | | |
|---|--------------|-----|-----------------|-----------------|-----------------|----------------------|-----------------|--------------------|-------------------|---|------------------------|------------------------|
| | | | Audited Outcome | Audited Outcome | Audited Outcome | Original Budget | Adjusted Budget | Full Year Forecast | Pre-audit outcome | Budget Year 2013/14 | Budget Year +1 2014/15 | Budget Year +2 2015/16 |
| Funding measures | - | - | | | | | | | | | | |
| Cash/cash equivalents at the year end - R'000 | 18(1)b | 1 | 10 613 | 22 736 | 19 850 | 18 155 | 20 636 | 20 636 | 8 184 | 10 674 | 17 385 | 38 112 |
| Cash + investments at the yr end less applications - R'000 | 18(1)b | 2 | 18 549 | 18 391 | 23 212 | 12 061 | 32 819 | 32 819 | - | 23 763 | 61 067 | 55 499 |
| Cash year end/monthly employee/supplier payments | 18(1)b | 3 | 3,7 | 5,9 | 4,3 | 3,3 | 4,1 | 4,1 | - | 1,9 | 2,7 | 5,6 |
| Surplus/(Deficit) excluding depreciation offsets: R'000 | 18(1) | 4 | 25 884 | 16 099 | 21 270 | 49 731 | 50 237 | 50 237 | - | 40 520 | 31 482 | 44 058 |
| Service charge rev % change - macro CPIX target exclusive | 18(1)a,(2) | 5 | N.A. | 0,0% | 0,0% | 0,0% | 0,0% | 0,0% | 0,0% | 0,0% | 0,0% | 0,0% |
| Cash receipts % of Ratepayer & Other revenue | 18(1)a,(2) | 6 | 0,0% | 0,0% | 0,0% | 0,0% | 0,0% | 0,0% | 0,0% | 0,0% | 0,0% | 0,0% |
| Debt impairment expense as a % of total billable revenue | 18(1)a,(2) | 7 | 0,0% | 28,7% | 27,8% | 24,1% | 24,1% | 24,1% | 0,0% | 24,2% | 24,2% | 24,2% |
| Capital payments % of capital expenditure | 18(1)c;19 | 8 | 122,3% | 101,0% | 76,9% | 93,3% | 100,0% | 100,0% | 0,0% | 100,0% | 100,0% | 100,0% |
| Borrowing receipts % of capital expenditure (excl. transfers) | 18(1)c | 9 | 1,9% | 9,0% | 0,0% | 0,0% | 0,0% | 0,0% | 0,0% | 0,0% | 0,0% | 0,0% |
| Grants % of Govt. legislated/gazetted allocations | 18(1)a | 10 | | | | | | | | 0,0% | 0,0% | 0,0% |
| Current consumer debtors % change - incr(decr) | 18(1)a | 11 | N.A. | (16,2%) | 24,5% | (49,4%) | 118,5% | 0,0% | (100,0%) | (4,6%) | (4,3%) | (24,0%) |
| Long term receivables % change - incr(decr) | 18(1)a | 12 | N.A. | 0,0% | 0,0% | 0,0% | 0,0% | 0,0% | 0,0% | 0,0% | 0,0% | 0,0% |
| R&M % of Property Plant & Equipment | 20(1)(vi) | 13 | 0,8% | 0,9% | 0,7% | 1,4% | 0,9% | 0,9% | 0,0% | 0,8% | 0,7% | 0,8% |
| Asset renewal % of capital budget | 20(1)(vi) | 14 | 0,0% | 0,0% | 0,0% | 0,0% | 0,0% | 0,0% | 0,0% | 0,0% | 0,0% | 0,0% |

2.6.5.1 Cash/cash equivalent position

- The Municipality's forecast cash position was discussed as part of the budgeted cash flow statement. A 'positive cash position, for each year of the MTREF would generally be a minimum requirement, subject to the planned application of these funds such as cash-backing of reserves and working capital requirements.
- If the municipality's forecast cash position is negative, for any year of the medium term budget, the budget is very unlikely to meet MFMA requirements or be sustainable and could indicate a risk of non-compliance with section 45 of the MFMA which deals with the repayment of short term debt at the end of the financial year. The forecasted cash and cash equivalents for the 2013/14 MTREF shows R10.6 million, R17.3 million and R38.1 million for each respective financial year.

2.6.5.2 Cash plus investments less application of funds

- The purpose of this measure is to understand how the municipality has applied the available cash and investments as identified in the budgeted cash flow statement. The detail reconciliation of the cash backed reserves/surpluses is contained in Table 24; the reconciliation is intended to be a relatively simple methodology for understanding the budgeted amount of cash and investments available with any planned or required applications to be made. This has been extensively discussed above.

2.6.5.3 Monthly average payments covered by cash or cash equivalents

- The purpose of this measure is to understand the level of financial risk should the municipality be under stress from a collection and cash in-flow perspective. Regardless of the annual cash position an evaluation should be made of the ability of the Municipality to meet monthly payments as and when they fall due. It is especially important to consider the position should the municipality be faced with an unexpected disaster that threatens revenue collection such as rate boycotts. Notably, the ratio has been increasing significantly for the period 2013/14 to 2015/16, moving from 1.9 to 5.6.. As indicated above the Municipality aims to achieve at least one month's cash coverage in the medium term, and then gradually move towards two months coverage. This measure will have to be carefully monitored going forward.

2.6.5.4 Surplus/deficit excluding depreciation offsets

- The main purpose of this measure is to understand if the revenue levels are sufficient to conclude that the community is making a sufficient contribution for the municipal resources consumed each year. An adjusted surplus/deficit is achieved by offsetting the amount of depreciation related to externally funded assets. Municipalities need to assess the result of this calculation taking into consideration its own circumstances and levels of backlogs. If the outcome is a deficit, it may indicate that rates and service charges are insufficient to ensure that the community is making a sufficient contribution toward the economic benefits they are consuming over the medium term. For the 2013/14 MTREF the indicative outcome is a surplus of R40.5 million and R31.4 million and R44 million for the two outer years. It needs to be noted that a surplus does not necessarily mean that the budget is funded from a cash flow perspective

2.6.5.5 Property Rates/service charge revenue as a percentage increase less macro inflation target

- The purpose of this measure is to understand whether the municipality is contributing appropriately to the achievement of national inflation targets. This measure is based on the increase in revenue, which will include both the change in the tariff as well as any assumption about real growth such as new property development, services consumption growth etc.
- The factor is calculated by deducting the maximum macro-economic inflation target increase (which is currently 0.9 per cent). The result is intended to be an approximation of the real increase in revenue. From the table above it can be seen that the percentage growth to 1.1 for the two respective years

2.6.5.6 Cash receipts as a percentage of ratepayers and other revenue

- This factor is a macro measure of the rate at which funds are „collected. This measure is intended to analyze the underlying assumed collection rate for the MTREF to determine the relevance and credibility of the budget assumptions contained in the budget. It can be seen that the outcome is at 98.1 percent , In addition the risks associated with objections to the valuation roll need to be clarified and hence the conservative approach, also taking into consideration the cash flow challenges experienced in the current financial year. This measure and performance objective will have to be meticulously managed. Should performance with the mid-year review and adjustments be positive in relation to actual collections of billed revenue, the adjustments budget will be amended accordingly?

2.6.5.7 Debt impairment expense as a percentage of billable revenue

- This factor measures whether the provision for debt impairment is being adequately funded and is based on the underlying assumption that the provision for debt impairment (doubtful and bad debts) has to be increased to offset under-collection of billed revenues. The provision has been appropriated at 24.2, 22.2and 22.2 per cent

over the MTREF. Considering the debt incentive scheme and the municipality's revenue management strategy's objective to collect outstanding debtors of 90 days, the provision is not well within the accepted leading practice.

2.6.5.8 Capital payments percentage of capital expenditure

- The purpose of this measure is to determine whether the timing of payments has been taken into consideration when forecasting the cash position. It can be seen that a 2 per cent timing discount has been factored into the cash position forecasted over the entire financial year. The municipality aims to keep this as low as possible through strict compliance with the legislative requirement that debtors be paid within 30 days.

2.6.5.9 Borrowing as a percentage of capital expenditure (excluding transfers, grants and contributions)

- The purpose of this measurement is to determine the proportion of a municipality's „own-funded capital expenditure budget that is being funded from borrowed funds to confirm MFMA compliance. Externally funded expenditure (by transfers/grants and contributions) has been excluded. It can be seen that borrowing equates to 0 per cent of own funded capital. The municipality does not borrow money from external stakeholders

2.6.5.10 Transfers/grants revenue as a percentage of Government transfers/grants available

- The purpose of this measurement is mainly to ensure that all available transfers from national and provincial government have been budgeted for. A percentage less than 100 per cent could indicate that not all grants as contained in the Division of Revenue Act (DoRA) have been budgeted for. The Municipality has budgeted for all transfers.

2.6.5.11 Consumer debtors change (Current and Non-current)

- The purpose of these measures is to ascertain whether budgeted reductions in outstanding debtors are realistic. There are 2 measures shown for this factor; the change in current debtors and the change in long term receivables, both from the Budgeted Financial Position. Both measures show a relatively stable trend in line with the Municipality's policy of settling debtor's accounts within 30 day

2.6.5.12 Repairs and maintenance expenditure level

- This measure must be considered important within the context of the funding measures criteria because a trend that indicates insufficient funds are being committed to asset repair could also indicate that the overall budget is not credible and/or sustainable in the medium to long term because the revenue budget is not being protected. Details of the Municipality's strategy pertaining to asset management and repairs and maintenance are contained in Table 50 MBRR SA34C

2.6.5.13 Asset renewal/rehabilitation expenditure level

- This measure has a similar objective to aforementioned objective relating to repairs and maintenance. A requirement of the detailed capital budget (since MFMA Circular 28 which was issued in December 2005) is to categorise each capital project as a new asset or a renewal/rehabilitation project. The objective is to summarise and understand the proportion of budgets being provided for new assets and also asset sustainability. A declining or low level of renewal funding may indicate that a budget is not credible and/or sustainable and future revenue is not being protected, similar to the justification for „repairs and maintenance budgets.

2.7 Expenditure on grants and reconciliations of unspent funds

Table 37- MBRR Table SA19 Expenditure on transfers and grant programme

| Description | 2009/10 | 2010/11 | 2011/12 | Current Year 2012/13 | | | 2013/14 Medium Term Revenue & Expenditure Framework | | |
|--|-------------------|-------------------|-------------------|----------------------|-------------------|--------------------|---|------------------------|------------------------|
| | Audited Outcome | Audited Outcome | Audited Outcome | Original Budget | Adjusted Budget | Full Year Forecast | Budget Year 2013/14 | Budget Year +1 2014/15 | Budget Year +2 2015/16 |
| EXPENDITURE: | | | | | | | | | |
| <u>Operating expenditure of Transfers and Grants</u> | | | | | | | | | |
| National Government: | 34 139 987 | 41 599 260 | 49 088 138 | 61 813 000 | 64 879 862 | 64 879 862 | 67 252 000 | 74 634 000 | 95 782 000 |
| Local Government | | | | | | | | | |
| Equitable Share | 32 310 578 | 39 322 522 | 47 176 000 | 53 513 000 | 53 513 000 | 53 513 000 | 60 742 000 | 71 900 000 | 92 865 000 |
| Finance Management | 1 135 546 | 1 417 085 | 518 561 | 1 500 000 | 1 606 423 | 1 606 423 | 1 620 000 | 1 800 000 | 1 950 000 |
| Municipal Systems Improvement | 693 863 | 859 653 | 1 393 577 | 800 000 | 1 071 439 | 1 071 439 | 890 000 | 934 000 | 967 000 |
| Integrated National Electrification Programme | | | | 5 000 000 | 5 000 000 | 5 000 000 | - | - | - |
| EPWP Incentive | | | | 1 000 000 | 1 689 000 | 1 689 000 | 1 000 000 | | |
| Other transfers/grants [insert description] | | | | | - | - | | | |
| | | | | | 2 000 000 | 2 000 000 | 3 000 000 | | |
| District Municipality: | - | - | 3 896 105 | - | - | - | - | - | - |
| <i>mopani district</i> | | | 3 896 105 | | | | | | |
| Other grant providers: | 963 532 | - | - | - | - | - | - | - | - |
| <i>LED</i> | 963 532 | - | | | | | | | |
| Total operating expenditure of Transfers and Grants: | 35 103 519 | 41 599 260 | 52 984 243 | 61 813 000 | 64 879 862 | 64 879 862 | 67 252 000 | 74 634 000 | 95 782 000 |
| <u>Capital expenditure of Transfers and Grants</u> | | | | | | | | | |
| National Government: | 16 368 974 | 14 985 753 | 30 279 670 | 30 174 000 | 30 174 000 | 30 174 000 | 28 647 000 | 25 322 000 | 26 578 000 |
| Municipal Infrastructure Grant (MIG) | 16 368 974 | 14 985 753 | 30 279 670 | 30 174 000 | 30 174 000 | 30 174 000 | 28 647 000 | 25 322 000 | 26 578 000 |
| Total capital expenditure of Transfers and Grants | 16 368 974 | 14 985 753 | 30 279 670 | 30 174 000 | 30 174 000 | 30 174 000 | 28 647 000 | 25 322 000 | 26 578 000 |
| TOTAL EXPENDITURE OF TRANSFERS AND GRANTS | 51 472 493 | 56 585 013 | 83 263 913 | 91 987 000 | 95 053 862 | 95 053 862 | 95 899 000 | 99 956 000 | 122 360 000 |

Table 38- MBRR SA20 - Reconciliation of transfers, grant receipts and unspent funds

| Description | 2009/10 | 2010/11 | 2011/12 | Current Year 2012/13 | | | 2013/14 Medium Term Revenue & Expenditure Framework | | |
|--|-------------------|-------------------|-------------------|----------------------|--------------------|--------------------|---|------------------------|------------------------|
| | Audited Outcome | Audited Outcome | Audited Outcome | Original Budget | Adjusted Budget | Full Year Forecast | Budget Year 2013/14 | Budget Year +1 2014/15 | Budget Year +2 2015/16 |
| <u>Operating transfers and grants:</u> | | | | | | | | | |
| National Government: Balance unspent at beginning of the year | 1 105 221 | 1 010 812 | 901 474 | | 1 170 757 | | | | |
| Current year receipts | 34 045 578 | 41 322 522 | 48 731 926 | 61 813 000 | 63 813 000 | 64 983 757 | 67 252 000 | 74 634 000 | 95 782 000 |
| Conditions met - transferred to revenue | 34 139 987 | 41 599 260 | 49 088 138 | 61 813 000 | 64 983 757 | 64 983 757 | 67 252 000 | 74 634 000 | 95 782 000 |
| Conditions still to be met - transferred to liabilities | 1 010 812 | 734 074 | 545 262 | | | | | | |
| Balance unspent at beginning of the year | | | 4 000 000 | | | | | | |
| Current year receipts | 3 460 440 | 4 000 000 | | | | | | | |
| Conditions met - transferred to revenue | - | - | 3 896 105 | - | - | - | - | - | - |
| Conditions still to be met - transferred to liabilities | 3 460 440 | 4 000 000 | 103 895 | | | | | | |
| Balance unspent at beginning of the year | 500 019 | | | | | | | | |
| Current year receipts | 463 513 | 200 000 | | | | | | | |
| Conditions met - transferred to revenue | 963 532 | - | - | - | - | - | - | - | - |
| Conditions still to be met - transferred to liabilities | | 200 000 | | | | | | | |
| Total operating transfers and grants revenue | 35 103 519 | 41 599 260 | 52 984 243 | 61 813 000 | 64 983 757 | 64 983 757 | 67 252 000 | 74 634 000 | 95 782 000 |
| Total operating transfers and grants - CTBM | 4 471 252 | 4 934 074 | 649 157 | - | - | - | - | - | - |
| <u>Capital transfers and grants:</u> | | | | | | | | | |
| National Government: Balance unspent at beginning of the year | | 4 283 026 | 3 809 273 | | | | | | |
| Current year receipts | 20 652 000 | 14 512 000 | 23 410 000 | 35 174 000 | 36 624 000 | 36 624 000 | 30 927 000 | 24 552 000 | 25 754 000 |
| Conditions met - transferred to revenue | 16 368 974 | 14 836 901 | 30 279 670 | 35 174 000 | 36 624 000 | 36 624 000 | 30 927 000 | 24 552 000 | 25 754 000 |
| Conditions still to be met - transferred to liabilities | 4 283 026 | 3 958 125 | -3 060 397 | | | | | | |
| Total capital transfers and grants revenue | 16 368 974 | 14 836 901 | 30 279 670 | 35 174 000 | 36 624 000 | 36 624 000 | 30 927 000 | 24 552 000 | 25 754 000 |
| Total capital transfers and grants - CTBM | 4 283 026 | 3 958 125 | -3 060 397 | - | - | - | - | - | - |
| TOTAL TRANSFERS AND GRANTS REVENUE | 51 472 493 | 56 436 161 | 83 263 913 | 96 987 000 | 101 607 757 | 101 607 757 | 98 179 000 | 99 186 000 | 121 536 000 |

2.8. Councillor and employee benefit

Table 39- MBRR SA22 - Summary councilor and staff benefits

| Summary of Employee and Councillor remuneration | 2009/10 | 2010/11 | 2011/12 | Current Year 2012/13 | | | 2013/14 Medium Term Revenue & Expenditure Framework | | |
|--|-----------------|-----------------|-----------------|----------------------|-----------------|--------------------|---|------------------------|------------------------|
| | Audited Outcome | Audited Outcome | Audited Outcome | Original Budget | Adjusted Budget | Full Year Forecast | Budget Year 2013/14 | Budget Year +1 2014/15 | Budget Year +2 2015/16 |
| <u>Councillors (Political Office Bearers plus Other)</u> | A | B | C | D | E | F | G | H | I |
| Basic Salaries and Wages | 3 029 042 | 3 364 756 | 4 144 663 | 4 192 252 | 4 440 914 | 4 440 914 | 4 390 138 | 4 994 083 | 5 313 704 |
| Pension and UIF Contributions | 543 000 | 639 242 | 731 407 | 1 048 063 | 789 790 | 789 790 | 773 994 | 887 408 | 944 202 |
| Medical Aid Contributions | 34 560 | 54 213 | 34 218 | - | 34 560 | 34 560 | 34 560 | 34 560 | 36 772 |
| Motor Vehicle Allowance | 1 481 846 | 1 338 201 | 1 595 909 | 1 746 772 | 1 755 088 | 1 755 088 | 1 860 393 | 1 972 017 | 2 098 226 |
| Cellphone Allowance | 279 328 | 286 853 | 340 201 | 352 656 | 535 572 | 535 572 | 480 072 | 624 094 | 664 036 |
| Other benefits and allowances | | | | 41 923 | 44 409 | 44 409 | 47 429 | 47 429 | 50 464 |
| Sub Total - Councillors | 5 367 776 | 5 683 264 | 6 846 399 | 7 381 665 | 7 600 333 | 7 600 333 | 7 586 586 | 8 559 591 | 9 107 405 |
| % increase | | 5,9% | 20,5% | 7,8% | 3,0% | - | (0,2%) | 12,8% | 6,4% |
| <u>Senior Managers of the Municipality</u> | | | | | | | | | |
| Basic Salaries and Wages | 13 582 933 | 2 522 208 | 2 755 799 | 2 629 205 | 2 339 052 | 2 339 052 | 3 144 538 | 2 816 625 | 2 985 623 |
| Pension and UIF Contributions | 6 286 532 | 54 866 | 692 366 | 758 190 | 496 475 | 496 475 | 818 599 | 1 127 835 | 1 195 505 |
| Medical Aid Contributions | 1 005 656 | 90 593 | 67 200 | 71 325 | 37 557 | 37 557 | 37 557 | 37 557 | 39 810 |
| Overtime | 169 460 | 1 039 993 | | - | - | - | | - | - |
| Performance Bonus | | 400 329 | 378 761 | 615 860 | 579 049 | 579 049 | 407 581 | 713 266 | 756 062 |
| Motor Vehicle Allowance | | | 822 047 | 993 520 | 810 067 | 810 067 | 1 102 203 | 1 119 731 | 1 186 914 |
| Cellphone Allowance | | | 59 400 | 65 640 | 55 890 | 55 890 | 53 640 | 65 640 | 69 578 |
| Housing Allowances | | 589 690 | | | - | - | | | |
| Other benefits and allowances | | | 22 300 | 26 612 | 23 684 | 23 684 | 31 874 | 28 593 | 30 309 |
| Payments in lieu of leave | | | | | 446 042 | 446 042 | | | |
| Sub Total - Senior Managers of Municipality | 21 044 581 | 4 697 678 | 4 797 873 | 5 160 352 | 4 787 815 | 4 787 815 | 5 595 991 | 5 909 247 | 6 263 802 |
| % increase | | (77,7%) | 2,1% | 7,6% | (7,2%) | - | 16,9% | 5,6% | 6,0% |
| <u>Other Municipal Staff</u> | | | | | | | | | |
| Basic Salaries and Wages | | 13 688 283 | 15 619 212 | 24 167 724 | 19 089 554 | 19 089 554 | 23 572 433 | 27 243 546 | 28 998 400 |
| Pension and UIF Contributions | | 3 553 374 | 3 500 834 | 5 372 098 | 3 860 331 | 3 860 331 | 5 141 719 | 5 914 307 | 6 297 334 |
| Medical Aid Contributions | | 810 997 | 871 362 | 1 557 624 | 1 256 266 | 1 256 266 | 1 323 454 | 1 422 830 | 1 514 042 |
| Overtime | | 1 374 368 | 435 434 | 380 000 | 460 000 | 460 000 | 460 000 | 870 000 | 925 680 |
| Performance Bonus | | 404 566 | 1 260 794 | 1 955 644 | 1 368 058 | 1 368 058 | 1 835 342 | 2 197 702 | 2 341 208 |
| Motor Vehicle Allowance | | 1 484 614 | 401 415 | 283 337 | 295 171 | 295 171 | 315 685 | 370 225 | 398 398 |
| Cellphone Allowance | | 40 171 | 230 500 | 349 200 | 441 500 | 441 500 | 362 700 | 401 600 | 427 565 |
| Housing Allowances | | 315 769 | 45 936 | 39 744 | 60 702 | 60 702 | 63 672 | 80 016 | 85 137 |
| Other benefits and allowances | | | 207 734 | 249 730 | 181 726 | 181 726 | 244 394 | 282 545 | 300 742 |
| Payments in lieu of leave | | | 506 769 | | 84 000 | 84 000 | 300 000 | 547 000 | 582 008 |
| Long service awards | | | 138 730 | | 83 889 | 83 889 | 118 478 | 214 000 | 227 696 |

| | | | | | | | | | |
|-----------------------------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|
| Sub Total - Other Municipal Staff | - | 21 672 142 | 23 218 721 | 34 355 100 | 27 181 197 | 27 181 197 | 33 737 877 | 39 543 772 | 42 098 210 |
| % increase | | - | 7,1% | 48,0% | (20,9%) | - | 24,1% | 17,2% | 6,5% |
| Total Parent Municipality | 26 412 357 | 32 053 085 | 34 862 994 | 46 897 117 | 39 569 345 | 39 569 345 | 46 920 454 | 54 012 610 | 57 469 417 |
| | | 21,4% | 8,8% | 34,5% | (15,6%) | - | 18,6% | 15,1% | 6,4% |

Table 40 MBRR SA23 - Salaries, allowances & benefits (political office bearers/councillors/senior managers)

| Disclosure of Salaries, Allowances & Benefits 1. | Salary | Contributions 1. | Allowances | Performance Bonuses | Total Package 2. |
|--|------------------|---------------------|------------------|------------------------|---------------------|
| <u>Councillors</u> | | | | | |
| Speaker | 305 365 | 77 271 | 162 488 | | 545 125 |
| Chief Whip | 302 480 | 56 404 | 153 935 | | 512 819 |
| Executive Mayor | 424 760 | 92 699 | 196 702 | | 714 162 |
| Executive Committee | 937 689 | 174 851 | 480 995 | | 1 593 535 |
| Total for all other councillors | 2 419 844 | 454 755 | 1 346 345 | | 4 220 943 |
| Total Councillors | 4 390 138 | 855 980 | 2 340 465 | | 7 586 583 |
| <u>Senior Managers of the Municipality</u> | | | | | |
| Municipal Manager (MM) | 602 572 | 225 179 | 296 640 | 87 670 | 1 212 060 |
| Chief Finance Officer | 579 285 | 75 409 | 195 667 | 66 697 | 917 057 |
| Director community service | 576 085 | 167 131 | 41 150 | 61 933 | 846 299 |
| Director SPED | 321 349 | 164 334 | 294 386 | 61 933 | 842 002 |
| Director Corporate Service | 474 380 | 116 380 | 199 000 | 61 933 | 851 693 |
| Director Technical | 590 867 | 139 598 | 129 000 | 67 416 | 926 881 |
| Total Senior Managers of the Municipality | 3 144 538 | 888 030 | 1 155 843 | 407 581 | 5 595 991 |
| TOTAL COST OF COUNCILLOR, DIRECTOR and EXECUTIVE REMUNERATION | 7 534 676 | 1 744 010 | 3 496 308 | 407 581 | 13 182 575 |
| | | | | | |

Table 41-MBRR - SA24 Summary of personnel numbers

| Summary of Personnel Numbers | Ref | 2011/12 | | | Current Year 2012/13 | | | Budget Year 2013/14 | | |
|---------------------------------------|-----|-----------|---------------------|--------------------|----------------------|---------------------|--------------------|---------------------|---------------------|--------------------|
| Number | 1,2 | Positions | Permanent employees | Contract employees | Positions | Permanent employees | Contract employees | Positions | Permanent employees | Contract employees |
| Municipal employees | 5 | | | | | | | | | |
| Municipal Manager and Senior Managers | 3 | 6 | – | 6 | 6 | – | 6 | 6 | – | 6 |
| Other Managers | 7 | 12 | 11 | 1 | 16 | 16 | – | 16 | 16 | – |
| Professionals | | 92 | 87 | 5 | 180 | 171 | 9 | 180 | 171 | 9 |
| Finance | | 9 | 8 | 1 | 22 | 19 | 3 | 25 | 22 | 3 |
| Spatial/town planning | | 5 | 5 | – | 13 | 12 | 1 | 15 | 14 | 1 |
| Information Technology | | 1 | 1 | – | 3 | 2 | 1 | 3 | 2 | 1 |
| Roads | | 6 | 6 | – | 9 | 9 | – | 9 | 9 | – |
| Electricity | | 1 | 1 | – | 2 | 2 | – | 2 | 2 | – |
| Water | | 14 | 14 | – | 16 | 16 | – | 16 | 16 | – |
| Sanitation | | | | | | | | | | |
| Refuse | | 7 | 7 | – | 8 | 8 | – | 8 | 8 | – |
| Other | | 49 | 45 | 4 | 107 | 103 | 4 | 109 | 105 | 4 |
| Clerks (Clerical and administrative) | | 26 | 26 | – | | | | | | |
| TOTAL PERSONNEL NUMBERS | 9 | 136 | 124 | 12 | 202 | 187 | 15 | 209 | 194 | 15 |
| % increase | | | | | 48,5% | 50,8% | 25,0% | – | – | – |

2.9 Monthly targets for revenue, expenditure and cash flow

See attached copy of the Annual Budget for the following tables

- TABLE 42:MBRR SA25 - Budgeted monthly revenue and expenditure – see attached copy of the Annual Budget
- TABLE 43: MBRR SA26 - Budgeted monthly revenue and expenditure (municipal vote)
- TABLE 44: MBRR SA27 - Budgeted monthly revenue and expenditure (standard classification)
- TABLE 45:MBRR SA28 - Budgeted monthly capital expenditure (municipal vote)
- TABLE 46: MBRR SA29 - Budgeted monthly capital expenditure (standard classification)
- TABLE 47: MBRR SA30 - Budgeted monthly cash flow

2.10 Annual budgets and SDBIPs – internal departments

2.10.1 Water Services Department

Maruleng Municipality is not a water service authority

2.11 Contracts having future budgetary implications

In terms of the Municipality's Supply Chain Management Policy, no contracts are awarded beyond the medium-term revenue and expenditure framework (three years). In ensuring adherence to this contractual time frame limitation, all reports submitted to either the Bid Evaluation and Adjudication Committees must obtain formal financial comments from the Financial Management Division of the Treasury Department.

2.12 Capital expenditure details

See attached copy of the Annual Budget for the following tables

- TABLE 48:MBRR SA 34a – Capital expenditure on new assets by assets class
- TABLE 49:MBRR SA 34b – Capital Expenditure on the renewal of existing assets by assets class
- TABLE 50:MBRR SA 34c – Repairs and maintenance expenditure by assets class
- TABLE 51: MBRR SA34d- Depreciation by assets classification

- TABLE 52:MBRR SA 35 – Future financial implications of the capital budget
- TABLE 53 :MBRR SA 36 – Detailed capital budget per municipal vote
- TABLE 54: MBRR SA 37– Projects delayed from previous financial year

2.13 Legislation compliance status

Compliance with the MFMA implementation requirements have been substantially adhered to through the following activities:

1. in year reporting

- Reporting to National Treasury in electronic format was fully complied with on a monthly basis. Section 71 reporting to the Executive Mayor (within 10 working days) has progressively improved and includes monthly published financial performance on the Municipality's website.

2. Internship programme

- The Municipality is participating in the Municipal Financial Management Internship programme and has employed 5 interns undergoing training in various divisions of the Financial Services Department.

3. Budget and Treasury Office

- The Budget and Treasury Office has been established in accordance with the MFMA.

4. Audit Committee

- A district shared Audit Committee has been established and is fully functional.

5. Service Delivery and Implementation Plan

- The detail SDBIP document is at a draft stage and will be finalized after approval of the 2013/14 MTREF in May 2013 directly aligned and informed by the 2013/14 MTREF.

6. Annual Report

- Annual report is compiled in terms of the MFMA and National Treasury requirements.

7. MFMA Training

- The MFMA training module in electronic format is presented at the Municipality's internal centre and training is ongoing.

8. Policies

- An amendment of the Municipal Property Rates Regulations as published in Government Notice 363 of 27 March 2009 was announced in Government Gazette 33016 on 12 March 2010. The ratios as prescribed in the Regulations have been complied with.

2.14 Other supporting documents

See attached copy of the Annual Budget for the following supporting tables

- TABLE 55: MBRR SA 1 – Supporting detail to budgeted financial performance

- TABLE 56: MBRR SA 2 – Matrix financial Performance budget (revenue source/expenditure type and department)
- TABLE 57: MBRR SA 3 – Supporting detail to statement of financial position
- TABLE 58: MBRR SA 9 – Social, economic and demographic statistics and assumptions
- TABLE 59: MBRR SA 32 – List of external mechanisms